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FRESHWATER FISH
MARKETING CORPORATION
1995 - 1996
ANNUAL REPORT



C o n t e n t s

Page

3	Corporate Profile
4	Directors Report
9	Move to an Elected Advisory Committee
9	Production and Sales of Principal Species
11	Landings Over the Last Seven Years
12	Final Payments for 1995/96
13	Seven Year Financial Summary
14	Financial Statement
22	Corporate Directory

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ANNUEL 1995-1996"



*Oscar Beatty from
Deschambault,
Saskatchewan, President
of Deschambault Lake
Fisheries Co-op.*

Corporate Profile

The Freshwater Fish Marketing Corporation (FFMC) is a buyer, processor and marketer of premium quality freshwater fish, harvested from over four hundred lakes in Manitoba, Saskatchewan, Alberta, the Northwest Territories and Northwestern Ontario.

Fourteen species of freshwater fish are sold by the FFMC, in a wide range of fresh and frozen product forms. The principal species are lake whitefish, pickerel (walleye), sauger (Canadian pike), northern pike, lake trout, lake perch and freshwater mullet. Others include tullibee, carp, burbot (freshwater cod), goldeye, white bass, inconnu and lake sturgeon.

The FFMC was established in 1969 by the Freshwater Fish Marketing Act and with the participation of each of the provinces it operates in. The Corporation has the exclusive right to trade and market fish produced within its mandated region on an interprovincial and export basis, and it exercises that right with the objective of: a) marketing fish in an orderly manner, b) maximizing returns to fish producers, and c) promoting international markets and increasing trade in fish.

The Freshwater Fish Marketing Corporation is a Federal Crown Corporation, which operates on a self-sustaining basis with no appropriations from Parliament. In practise, the FFMC actually operates much like a producer's co-operative, with the beneficiaries being the commercial fish producers of Manitoba, Saskatchewan, Alberta, the Northwest Territories and Northwestern Ontario. Its primary goal is to achieve the greatest economic returns possible for the commercial fish producers it serves, and all of the activities of the Corporation are carried out with this in mind. To achieve this goal, the FFMC works continuously to provide its customers with only the highest quality products on a consistent year round basis, and strives relentlessly for greater efficiency in all aspects of its operations, from lake to market.

The real story behind the success of the Corporation lies in the team of people who work together across this immense region and overcome the problems posed by remoteness and distance. A team that includes over 3500 commercial fish producers who fish summer and winter and provide a consistent supply of top quality products; a network of 75 agents who grade and purchase fish at lakeside; the transport companies who move our product by road, water, rail and air; the people who operate the Corporation's world class processing plant in Winnipeg; and an efficient network of brokers and distributors who sell our products around the globe.



Directors' Report

A Year of Challenges

The Freshwater Fish Marketing Corporation's 1995/96 fiscal year was challenging to say the least. Challenging in terms of market conditions - and certainly challenging from a political standpoint.

The report tabled by the Parliamentary Committee on Fisheries and Oceans in February of 1995 created a cloud of uncertainty throughout the business, from producers at lakeside right through to our customers. During their hearings, Committee members heard demands for change and in the end, it appears they saw no way to meet these demands and still have a viable Freshwater Fish Marketing Corporation. Their recommendation for dissolution of the Corporation stunned fish producers across the region and even alarmed some of the most vocal critics of single desk marketing.

Faced with the prospect of actually losing the Corporation, fish producers mounted a wave of opposition to the report and even those who were most critical said they had never wanted the FPMC destroyed. In the meantime, as the debate raged and media attention focused on the Corporation - the business of buying and selling millions of kilograms of fish had to continue.

In June of 1995, the Minister of Fisheries and Oceans announced that the Corporation would continue to operate. At the same time, the Minister also announced three fundamental changes, intended to address some of the concerns voiced during hearings held by the Parliamentary Committee. The first was the issuing of unconditional licences for purchase and sale of rough fish, including mullet, carp and burbot. The second, a move to an "elected" Advisory Committee of fish producers, and the third, a three year trial period during which producers in the Island Lake area of Manitoba would sell their fish outside the Corporation.

Although the political turmoil in the fishery began to settle after the Minister's decision, the markets of the world were anything but settled. Competition for market share was fierce throughout 1995/96. Where did it come from? From

both inside and outside the fishing industry. Continuing gluts of salmon in coastal fisheries, particularly Alaska, resulted in salmon selling at prices well below even our poly-bag frozen whitefish. At the same time, whitefish production from the Great Lakes has climbed to nearly four times what it was when the Corporation opened its doors in 1969, and whitefish producers there are complaining loudly about low prices. Production of Eastern European walleye has also grown substantially and is being offered to our European and North American customers at prices as low as 40% below our list. The competition from outside our industry also grew at a relentless pace, with bargain priced poultry carving out a growing share of the protein market.

Encouraging Gains and a Profitable Year

In the midst of all of the turmoil, the FPMC continued to aggressively move Freshwater products in traditional markets and to seek out new opportunities in the markets of the world. New sales were made in the former Soviet Union, in the Pacific Rim and even in the Caribbean - and one of the most gratifying successes of 1995/96 was the sale of over 8 million pounds (landed weight) of freshwater mullet.

Throughout 1995/96, we continued to build on the strengths of the Corporation. The quality of our products, our year round consistency of supply, and the financial strength that comes from having the fish producers in this region working together within the Corporation, rather than competing against each other in what has come to be a market of big buyers and sellers.

When the curtain finally fell on 1995/96, the FPMC's sales totaled \$47.1 million (\$43.7 million in 1994/95) and the profit generated for final payments to fish producers was \$2.7 million (\$4.5 million in 1994/95). Although the Corporation's overall profit is down from the year prior, it is important to consider that initial payments for some of our principal species were up sharply in 1995/96 and overall payments to fishermen climbed to \$32.5 million - an increase of \$3.6 million over 1994/95.



A stylized, handwritten signature in black ink.

Sam W. Murdock
Chairman of the Board



A stylized, handwritten signature in black ink.

Tom Dunn
President and General Manager

Strategy for Success

Our strategy for the FFMC in 1995/96 attempted to build upon the strengths of the Corporation and was designed to address some of the principal concerns voiced in the February, 1995 report of the Standing Committee on Fisheries and Oceans. The basic elements of our Corporate strategy were:

1. *To take all steps possible to encourage sufficient deliveries of species such as pickerel and sauger, to ensure product availability for our customers and to ensure the throughput necessary for the financial health of the business.*

Result: During 1995/96, initial prices for pickerel and sauger were increased to record levels in an effort to encourage the required levels of deliveries. Despite our best laid plans, production of pickerel increased only marginally and sauger deliveries actually fell. Opinion is that this was due largely to problems related to unfavourable weather, water levels and a severe forest fire situation across the North.

2. *Capitalize on our reputation as a reliable supplier of quality products in both existing and potential new markets in order to increase volumes and/or selling prices.*

Result: Despite the exceptionally tough price competition we faced in domestic and foreign markets, our sales volumes and average selling prices for whitefish actually increased during 1995/96. Sales of pickerel and sauger were also under intense price competition, in this case from European walleye (zander). But the Corporation successfully held most of its market share throughout 1995/96. In each of these cases, the reputation of the Corporation and its strengths as a large and reliable supplier contributed significantly to our success.

3. *Achieve better timing and volume of landings of all species (particularly for whitefish, in order to take better advantage of opportunities in U.S. fresh fish markets) to allow us to make more efficient use of processing plant capacity and better meet the needs of our customers.*

Result: The Corporation made significant gains in matching deliveries of fish to demand and to plant capacity. Part of this success was due to price incentives and disincentives which were tied to several problem fisheries - but a large measure of credit goes to fish producers in locations like Zone E in Alberta, where voluntary steps were taken to spread production out to enable the Corporation to maximize earnings from fresh sales.

4. *Establish a larger market for underutilized species by continuing our efforts to seek out customers world wide and access large markets.*

Result: Sales of freshwater mullet literally soared during 1995/96, allowing the Corporation to purchase all of the mullet fish producers could deliver. By the close of the year, nearly 8 million pounds had been landed, processed and sold. All out efforts were also made to increase sales of burbot (freshwater cod) and during the winter of 1995/96, the Corporation purchased all of the burbot producers could deliver. Burbot was sold in the Canadian retail market in filleted and headless dressed forms and some of our burbot reached markets as distant as the Caribbean. Carp sales also increased marginally and close to a million pounds (round weight) was landed and sold. The Corporation also succeeded in exporting its first container load of carp roe in 1995/96.

5. *Increase returns to fishermen by decreasing handling costs at lakeside packing stations and in processing operations - through improved practises and increased use of computerized equipment.*

Result: The Winnipeg processing operation of the FFMC is now one of the most advanced operations of its kind in North America and has been one of the keys to success in this fishery. Mechanization and computerization in this plant has enabled the Corporation to control and even reduce processing costs. Attention has now turned to 75 lakeside fish handling operations located across the Corporation's immense five million



Peter Allen



Andrew Bouvier



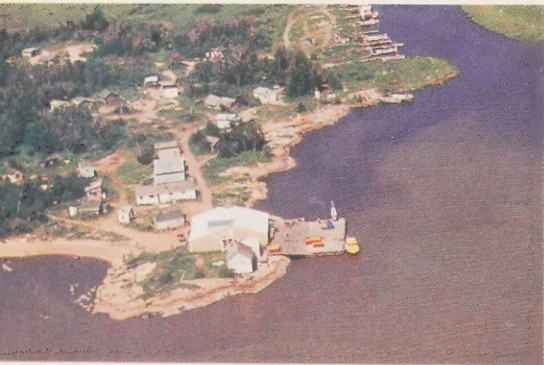
Irvin Constant



Ed Isfeld



Willie Monkman, member of the FPMC Board of Directors and Lake Winnipeg Fisherman.



Catfish Creek Fish Station on Lake Winnipeg. Now operated by Matheson Island Co-op.

square kilometer territory. These lakeside collection and shipping points represent a unique layer of added costs to the FPMC which most coastal and Great Lakes fisheries do not have to bear.

During 1995/96 almost all of the Corporation's lakeside Agents acquired computers through the Corporation and are now linked by modem to the Corporation's central computer in Winnipeg. Now, on a weekly basis, the Corporation has updated information on the species and volumes of fish delivered by each of the 3,500 fish producers across this far flung region. This information not only has an important application in respect to lake and quota management (provincial fisheries managers are also linked by modem) but it has enabled lakeside Agents to streamline and speed their accounting operations and to improve the information services available to fish producers.

6. *Encourage more Producer Co-operatives or private individuals to own and operate lakeside fish packing facilities now operated directly by the Freshwater Fish Marketing Corporation.*

Result: During 1995/96, two Corporation run fish packing operations were sold to producer co-operatives and a third was sold to a private Agent. All of these sales were carried out after consultation with area fish producers. Today, only seven of the seventy-five lakeside packing stations in the Freshwater region continue to be staffed by the Corporation. Only five years ago, the Corporation was staffing and operating twenty lake stations.

7. *Communicate more effectively with fish producers regarding their concerns and the operations of the Corporation and provide them with the facts regarding single desk selling and centralized processing.*

Result: Improving communications between the Corporation and the 3,500 commercial fish producers in this region has been identified as a major priority by the Board of Directors. In meeting this com-



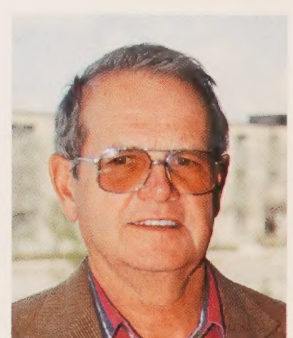
Dave McArthur



Gordon McDougall



Willie Monkman



Doug Sayers

mittment, the FFMC has begun production and distribution of six newsletters a year (including this annual report), five bus tours of the Corporation's Winnipeg plant have already taken place involving fish producers from as far away as northern Saskatchewan. More tours are planned for the fall of 1996. A feature video on fishing in the Freshwater region and on the operations of the FFMC is in production and due to be completed in November, 1996. Regional information meetings are planned for October 1996 in Northern Saskatchewan, with more to be held in other regions during the winter. Two informational/ consultation meetings were held in Winnipeg involving over ninety people who own and/or operate lakeside fish purchasing operations in the Freshwater region. The Corporation has participated with the Saskatchewan Government and the Saskatchewan Commercial Fishermen's Co-operative Federation in an examination of the fishery and an examination of the pros and cons of decentralized processing. Corporation staff have attended over seventy meetings in lakeside communities over the past twelve months - and the list goes on.



Irvin Constant (FFMC Board of Directors) and brother Pat (right) on Kelsey Lake - part of the Saskatchewan River system near the Pas, Manitoba.

Tour group from Ashern Fisheries Co-op (Manitoba) visit FFMC processing plant in Winnipeg.





Saskatchewan fishermen from Isle a la Crosse, Dore Lake and Beauval tour Winnipeg processing operation and meet FFMC management to discuss production and marketing trends.



Packing operation at Pelican Narrows, Saskatchewan – where fish from dozens of lakes is delivered by boat, road and air.



Pinehouse (Saskatchewan) fish producers travel to Winnipeg to see processing operations.

Towards the Twenty-First Century

One thing we can count on in the year ahead and into the 21st Century is continuing strong competition for consumers' dollars. We will also see consolidations of major companies in the fish and seafood business continuing, as the serious players in the industry strive for more efficiency and greater financial strength. In this environment, an

organization like the Freshwater Fish Marketing Corporation becomes even more important to the future of the fishery in this region.

In the year ahead, we look forward to working together with producers from across this immense region in building on the strengths of the Freshwater Fish Marketing Corporation.

An Elected Advisory Committee

Moves are well underway to introduce federal legislation which will require members of the Advisory Committee to the Freshwater Fish Marketing Corporation to be elected by fish producers on a regional basis. Expectations are that the first elections will be held in 1997. Until now, members have been appointed by the Federal Government. The change to an elected Advisory Committee was announced in June of 1995 by the Minister of Fisheries and Oceans.

The change will guarantee that producers are represented on a regional basis. This was one of the concerns previously voiced by producers in the north, who felt they were too often overlooked when appointments to the Advisory Committee were made by the Government.

Elected Advisors will also provide fish producers with a direct say on who represents their concerns in dealings with the Board of Directors and Management of the Freshwater Fish Marketing Corporation.

In order to run for election, candidates will have to be fish producers who are delivering to the Freshwater Fish Marketing Corporation. Likewise, to qualify to vote in

elections, producers must have delivered fish to the Corporation in the previous two year period.

A total of eleven electoral regions are being created - based on numbers of fishermen and production. One Advisor will be elected from the Northwest Territories, one from Alberta, and three from Saskatchewan. Manitoba will have six electoral regions, one of which will also span Northwestern Ontario.

We would like to thank the members of the Advisory Committee who contributed to the success of the Corporation in 1995/96. It is notable that these members were among the strongest supporters of the move to an "elected" Advisory Committee. The Chairman of the Advisory Committee was Robert T. Kristjanson of Gimli, Manitoba and members of the Committee included: Bill Bouchie of Berens River, Manitoba - John Carriere of Cumberland House, Saskatchewan - Gordon Caudron of Joussard, Alberta - Gordon McDougall of Ashern, Manitoba - Leonard McFarlane of Lac La Biche, Alberta, David E. Traverse of Gypsumville, Manitoba - David Olson of Gimli, Manitoba and Mark Sinclair of Grand Marais, Manitoba.

Production and Sales of our Principal Species

Whitefish

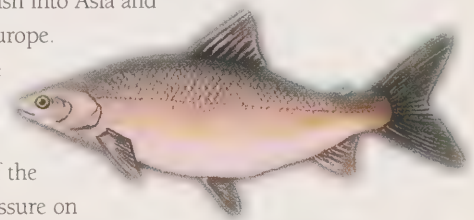
Marketing the increasing volumes of whitefish being produced in the Freshwater region (14 million pounds in 1995/96) continues to provide an ongoing challenge for the Corporation. This is especially true today, as the volumes of whitefish being produced on the Great Lakes continues to climb. At last count, Great Lakes whitefish production was at roughly 18 million pounds and climbing. This production is virtually being landed on the doorstep of our major markets in the northeastern United States; a fact which provides our competitors with a large advantage in terms of freshness and transportation costs. Ballooning salmon production has also provided us with increased competition in the market; a versatile, well liked species of fish which is now often being sold at prices well below our whitefish.

Increasingly strong, low priced competition from other fish and seafood producers and from inexpensive sources of protein such as poultry, coupled with a more value conscious consumer, has resulted in a highly competitive market place.

The Corporation has made concerted efforts to expand its whitefish product lines, including boned fillets, whitefish caviar and whitefish tails. Efforts have also been ongoing to develop new markets and we have had recent success in moving whitefish into Asia and into Eastern Europe.

Targeting these new markets will hopefully relieve some of the downward pressure on prices in traditional markets - which are too frequently saturated with whitefish from this region and from the Great Lakes.

Our strength at the FFMC stems in part from our ability to react quickly to market opportunities, whether fresh or frozen. In the case of fresh products, for example, the many lakes in this region actually complement each other by providing a year round supply of product for our customers.



This has been of significant benefit to all fish producers throughout this region.

In the short term, the future for whitefish appears to be quite volatile due to intense competition and increased landings. However, the FPMC will attempt to maintain some stability through market diversification and by capitalizing on our ability to supply whitefish in several different product forms. During 1995/96, these factors and a relatively good winter in the fresh market allowed the Corporation to generate a final payment, albeit small, for whitefish producers.

Pickarel

Production of pickarel in 1995/96 was just under 6.8 million pounds (round weight), which is similar to landings the year previous. At these levels, pickarel harvests are still down about 25% from what we would consider normal.

The market was strong throughout 1995/96 for pickarel fillets in the six to twelve ounce range, but fillets in the under two ounce, and two to six ounce range came under intense pressure from Eastern European production. This pressure from competitors in Eastern Europe was felt even more during the past year because of last year's swing in our own fishery to a higher percentage of small pickarel. In spite of the competition, we did realitively well in the market during 1995/96 and this resulted in a good final payment for pickarel producers. While the final payment is down from the year previous, it is important to

remember that initial dockside prices were up sharply in 1995/96. Overall, producers received more for pickarel landed in 1995/96 than in the year previous.

In the future, we can expect to see Eastern European wall-eye regularly competing with us in western Europe - at prices up to 40% below our list. We are also seeing increasing volumes of European walleye being traded in our North American markets. The challenge for the FPMC will be convincing customers that our product continues to warrant a sizeable premium. It goes without saying that increases in market prices for pickarel are not likely in the near future.

Sauger

Sauger production in 1995/96 was 2.9 million pounds, down significantly from historic highs in the 1980's. Given the downward price pressure that low priced European walleye have been placing on small pickarel and sauger fillets - a return to high levels of production could pose more of a problem than a blessing in the short term.

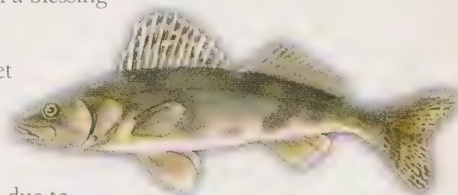
The sauger market in Germany was in continual upheaval during 1995/96 - due to large volumes of much cheaper product arriving from Eastern European countries. Competition from lower priced European walleye has also started to impact on our sales of small fillets in Canada and the U.S. Nevertheless, we were successful in 1995/96 in generating a profit on sauger, which now translates into a relatively good final payment for producers.

The Corporation continues to be the price leader in the market for both pickarel and sauger - but markets for both of these species will undoubtedly be extremely volatile in the coming year.

Northern Pike

Production of northern pike was just shy of 5.4 million pounds in 1995/96, an increase of 30% from the year previous. We managed to hold selling prices at close to the previous year's levels, but the concern now is moving inventories. This is especially true now in light of what could be yet another major increase in pike deliveries during 1996/97. No final payment was generated for northern pike during 1995/96 due to the combined effects of increased inventory carrying costs and initial prices which were high relative to selling prices.

Efforts are being made to maintain selling prices for northern pike in 1996/97 and we are continuing to diversify our marketing efforts to include Eastern European countries in an attempt to move the increased production.



Lake Trout

Heavy competition from low priced salmon placed intense pressure on lake trout sales during 1995/96 and there has been no let-up in the competition this year. Nevertheless, we were relatively successful in developing niche markets for trout in Canada and abroad which absorbed all of the trout landed in the Freshwater area during 1995/96. The only down side during 1995/96 was that we were unable to force selling prices high enough to generate a final payment for trout producers.

Although we have worked hard to maintain our market share for trout in European markets, the Corporation has had to rely largely on fresh sales at retail and retail polybag sales in the US and Canada to sell the volumes of trout being landed in this region.

Freshwater Mullet

The Corporation dramatically increased its mullet sales in 1995/96. This was a result of continuing efforts to increase existing business in ethnic markets and a result of new contracts with manufacturers of value added products. During 1995/96 landed volumes of mullet totaled just over 8 million pounds.

The Corporation has continued to purchase all of the mullet fish producers can deliver and forecasts are that landings in 1996/97 will exceed 10 million pounds. Sales of mullet have been a real bonus for producers in the Freshwater region and have helped considerably in off-setting operating expenses. The fact that there is no final payment on mullet is due to the fact that the Corporation pays out everything it earns on mullet in initial payments - less direct handling and sales costs.

Lake Perch

During 1995/96, landings of lake perch (yellow perch) increased by over 30% to 1.1 million pounds. Most of the catch was from the Lake Manitoba during January, February and early March.

Selling prices at the onset of the year were relatively stable. However, consumers began to balk at generally high prices for Canadian perch as the season progressed. Speculation is that part of the downtrend was due to increasingly price conscious consumer buying practices. The fact is, there are now a lot of other products out there to choose from at prices well below lake perch. The other part of the equation was sharply increased availability of small European walleye fillets at prices well below what Canadian product was selling for. As Canadian perch sales stalled, inventory of frozen perch grew and concerns mounted.

The market for lake perch will likely remain unsettled through 1996/97 in light of continuing competition from eastern European walleye, coupled with continuing consumer resistance to high priced products.

Seven Year Historical Summary of Landings in Round Weight (Millions of Pounds)

Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996
Whitefish	13.6	13.5	14.5	11.7	11.1	13.9	14.0
Pickereel	10.9	8.7	9.6	8.5	6.7	6.6	6.8
Sauger	5.9	4.8	5.5	4.1	3.2	3.7	2.9
Northern Pike	7.3	5.5	7.0	5.8	4.6	4.2	5.4
Lake Trout	1.6	0.9	0.9	0.7	1.0	1.0	1.0
Tullibee	0.2	0.2	0.2	0.5	0.3	0.3	0.4
Lake Perch	1.1	0.9	1.2	0.7	0.3	0.9	1.1
Mullet	3.4	2.1	10.4	1.8	2.4	1.9	8.1
Carp	0.7	1.5	1.6	0.2	0.9	0.8	0.9
All Others	0.8	0.8	1.0	1.0	0.3	0.2	0.6
Totals	45.5	38.9	51.9	35.0	30.8	33.5	41.2

Final Payments For 1995/96

In mid-November, 1996, fish producers in the Freshwater Fish Marketing Corporation region will receive \$2.75 million in final payments for fish delivered during the fiscal year ended April 30th, 1996. The Corporation's profit of \$2.75 million was generated on total sales of \$47.1 million during 1995/96. This compares to a profit during 1994/95 of \$4.5 million on total sales of \$43.7 million.

FRESHWATER FISH MARKETING CORPORATION

FINAL PAYMENTS

FOR THE YEAR ENDING APRIL 30TH, 1996

SPECIES:	\$/LB	\$/KG
WHITEFISH	.011	.024
PICKEREL		
ROUND	.31	.683
DRESSED	.373	.822
HEADLESS DRESSED	.435	.959
SAUGER		
ROUND	.155	.342
BELLY-SPLIT	.186	.410
HEADLESS DRESSED	.217	.478
TULLIBEE	.03	.066
GOLDEYE	.36	.794
STURGEON	.158	.348
INCONNU	.216	.476
LAKE PERCH	.012	.026
WHITE BASS	.203	.448

In comparing this year's final payments to those made last year, it is important to factor in initial dockside prices to arrive at a true measure of what producers were actually paid for their catch. For example, even though the 1995/96 final payment for pickerel is lower than in 1994/95, producers were actually paid considerably more for pickerel in 1995/96. The combined initial plus final payment for medium headless and dressed pickerel delivered in the summer of 1994 was \$2.35/lb. This compares to an initial plus final payment of \$3.03/lb for the same fish delivered during the summer of 1995

Fishing on Dajoe Lake; a fly-in fishery in northern Manitoba.



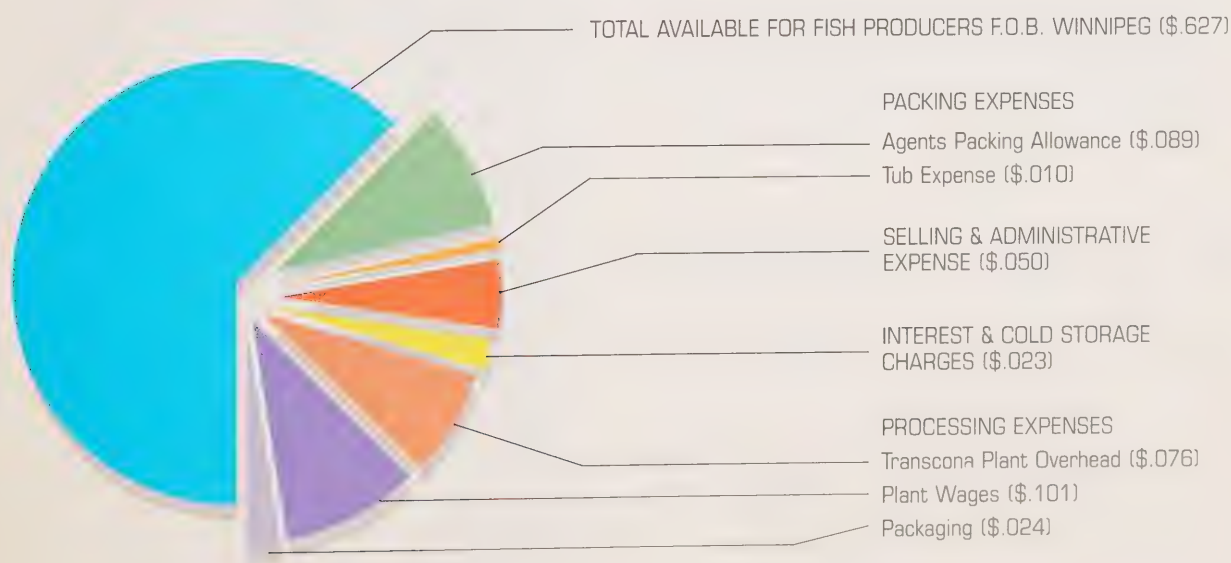
Seven Year Financial Summary (all amounts in millions of dollars)

	Fiscal Year Ended April 30th						
	1990	1991	1992	1993	1994	1995	1996
Sales	49.4	52.1	51.3	45.8	38.8	43.7	47.1
Net Income Before Final Payments	2.0	2.2	6.3	6.9	3.3	4.5	2.7
Initial Payments To Fishermen	25.0	21.1	29.9	23.2	18.6	24.8	30.3
Net Income Plus Initial Payments To Fishermen	27.0	23.3	36.2	30.1	21.9	29.3	33.0
Accounts Receivable – Trade	6.1	5.0	5.7	3.2	3.6	4.2	4.5
Inventory – Finished Fish Product	10.5	1.3	4.9	5.3	2.8	3.5	6.7
Inventory – Packaging Material and Parts	1.5	1.2	1.2	1.1	1.0	0.9	1.1
Fixed Assets – Net Book Value	8.8	9.2	8.6	8.0	7.3	7.6	7.5
Loans Payable	21.0	9.9	9.0	6.0	6.6	7.0	11.1
Retained Earnings*	3.3	3.4	3.8	4.0	4.2	4.2	4.2

*Retained Earnings

Over the years, the FFMC has gradually built up “retained earnings” totalling \$4.2 million. This total (commonly known by fish producers as “the reserve fund”) was slowly accumulated through deductions from earnings generated from sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish. This reduces the Corporation’s dependency on borrowing from banks and enables the Corporation to reduce annual interest costs. These savings are ultimately passed along to fish producers in the form of final payments. Although \$4.2 million in retained earnings is low for a business the size of the Corporation, it provides at least some security against major unexpected downturns in the market or extremely serious financial setbacks.

Where Our Sales Dollar Went In The Seven Years Ended April 30, 1996



Management's Report

Financial Statement For The Year Ending April 30th, 1996

Management's Responsibility For Financial Statements

The accompanying financial statements of the Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of a majority of Directors who are not employees of the Corporation. The Audit Committee meets regularly with management and the auditors, who have full and free access to the Audit Committee.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon



Tom Dunn
President



Gabriella Bradics
Controller

Winnipeg, Canada
July 31, 1996

Auditor's Report

Auditor General of Canada



To the Minister of Fisheries and Oceans

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1996 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Freshwater Fish Marketing Act and By-Laws of the Corporation.

A handwritten signature in dark ink, appearing to read 'Ray Dubois'.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 31, 1996

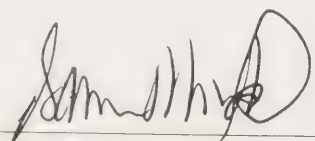
Freshwater Fish Marketing Corporation

BALANCE SHEET as at April 30, 1996 (in thousands of dollars)

	<u>1996</u>	<u>1995</u>
ASSETS		
Current		
Accounts receivable (Note 3)	\$ 5,020	\$ 5,277
Inventories (Note 4)	7,807	4,413
Prepaid expenses	82	138
	<u>12,909</u>	<u>9,828</u>
Loan receivable (Note 5)	136	-
Capital assets (Note 6)	<u>7,539</u>	<u>7,630</u>
	<u>\$20,584</u>	<u>\$17,458</u>
LIABILITIES		
Current		
Bank indebtedness and loans (Note 7)	\$ 1,606	\$ 474
Working capital loans (Note 8)	9,448	6,511
Accounts payable and accrued liabilities (Note 9)	<u>5,377</u>	<u>6,320</u>
	<u>16,431</u>	<u>13,305</u>
RETAINED EARNINGS		
Retained earnings	<u>4,153</u>	<u>4,153</u>
	<u>\$20,584</u>	<u>\$17,458</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



 Director



 Director

Freshwater Fish Marketing Corporation

STATEMENT OF OPERATIONS AND RETAINED EARNINGS for the year ended April 30, 1996 (in thousands of dollars)

	<u>1996</u>	<u>1995</u>
Operations:		
Sales (Note 10)		
Export	\$37,235	\$33,403
Domestic	<u>9,881</u>	<u>10,282</u>
	<u>47,116</u>	<u>43,685</u>
Cost of sales		
Opening inventory of finished fish products	3,546	2,771
Add: Fish purchases and processing expenses		
Initial payments to fishermen	29,708	24,345
Salaries, wages and benefits	5,036	4,402
Packing allowances and agency operating costs	4,225	3,619
Packaging and storage	2,333	1,508
Amortization of production assets	1,033	1,011
Utilities and property taxes	970	937
Repairs and maintenance	686	570
Fishermen's U.I.C. premiums	594	500
Other	<u>(74)</u>	<u>46</u>
	48,057	39,709
Less: Ending inventory of finished fish products	<u>6,703</u>	<u>3,546</u>
	41,354	36,163
Gross profit on operations	<u>5,762</u>	<u>7,522</u>
Marketing and administrative expenses		
Salaries and benefits	1,099	947
Interest (Note 11)	681	418
Data processing, office and professional services	498	857
Advertising and promotion	249	217
Amortization of administration assets	193	241
Bad debts	116	164
Meetings fees and expenses	71	81
Other	<u>107</u>	<u>79</u>
	<u>3,014</u>	<u>3,004</u>
Income before provision for final payments to fishermen	<u>2,748</u>	<u>4,518</u>
Provision for final payments to fishermen (Note 9)	<u>2,748</u>	<u>4,518</u>
Net income for the year (Note 12)	<u>-</u>	<u>-</u>
Retained earnings at beginning of the year	<u>4,153</u>	<u>4,153</u>
Retained earnings at end of the year	<u><u>\$4,153</u></u>	<u><u>\$4,153</u></u>

The accompanying notes are an integral part of the financial statements.

Freshwater Fish Marketing Corporation

STATEMENT OF CHANGES IN FINANCIAL POSITION for the year ended April 30, 1996 (in thousands of dollars)

	<u>1996</u>	<u>1995</u>
Cash provided by (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash		
Amortization	1,226	1,178
Gain on sale of capital assets	(57)	(17)
Net changes in noncash working capital balances relating to operations	<u>(2,602)</u>	<u>(1,404)</u>
Cash (used for) provided by operations	<u>(1,433)</u>	<u>(243)</u>
Investing activities		
Additions to capital assets	(1,347)	(1,526)
Decrease in loan receivable	211	89
Proceeds on sale of capital assets	<u>270</u>	<u>80</u>
Cash used for investing activities	<u>(866)</u>	<u>(1,357)</u>
Financing activities		
Increase (decrease) in bank loans	3,699	(119)
Increase (decrease) in working capital loans from Canada	<u>(1,000)</u>	<u>500</u>
Cash provided by financing activities	<u>2,699</u>	<u>381</u>
Increase (decrease) in provision for final payments to fishermen	<u>(1,770)</u>	<u>1,434</u>
Increase (decrease) in cash during the year	(1,370)	215
Bank indebtedness at beginning of year	<u>(11)</u>	<u>(226)</u>
Bank indebtedness at end of year	\$ <u><u>(1,381)</u></u>	\$ <u><u>(11)</u></u>

The accompanying notes are an integral part of the financial statements.

Freshwater Fish Marketing Corporation

NOTES TO FINANCIAL STATEMENTS

April 30, 1996

1. AUTHORITY, OBJECTIVES AND OPERATIONS

The Corporation was established by the Freshwater Fish Marketing Act (the Act) in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish byproducts in and out of Canada. The Corporation is an agent Crown corporation named in Schedule III, Part I of the Financial Administration Act and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed \$30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in interprovincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta, Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases and the average actual cost for direct labour and overhead directly related to processing for the year. At year end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	• Lake stations	Straightline	5-10%
	• Plants	Straightline	2 1/2%
Equipment	• Machinery and office equipment	Declining balance	10 - 40%
	• Automotive	Declining balance	30%
Fresh fish delivery tubs		Straightline	10%
Vessels		Straightline	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fish producers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fish producers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are expensed on a current year basis, and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Freshwater Fish Marketing Corporation

3. ACCOUNTS RECEIVABLE

	<u>1996</u>	<u>1995</u>
	(in thousands of dollars)	
Trade	\$4,534	\$4,296
Other	404	552
Current portion of loan receivable	<u>82</u>	<u>429</u>
	<u>\$5,020</u>	<u>\$5,277</u>

4. INVENTORIES

	<u>1996</u>	<u>1995</u>
	(in thousands of dollars)	
Finished fish products	\$6,703	\$3,546
Packaging material and supplies	<u>1,104</u>	<u>867</u>
	<u>\$7,807</u>	<u>\$4,413</u>

5. LOAN RECEIVABLE

The loan receivable is secured by various capital assets and matures in January 1999.

6. CAPITAL ASSETS

	<u>1996</u>		<u>1995</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	(in thousands of dollars)			
Land	\$ 258	\$ -	\$ 258	\$272
Buildings	7,029	4,208	2,821	2,803
Equipment	14,940	11,453	3,487	3,132
Fresh fish delivery tubs	844	369	475	310
Vessels	261	149	112	144
Construction in progress	<u>386</u>	<u>-</u>	<u>386</u>	<u>969</u>
	<u>\$23,718</u>	<u>\$16,179</u>	<u>\$7,539</u>	<u>\$7,630</u>

7. BANK INDEBTEDNESS AND LOANS

	<u>1996</u>	<u>1995</u>
	(in thousands of dollars)	
Bank indebtedness	\$1,381	\$11
Demand loan	225	-
Term loan	<u>-</u>	<u>463</u>
	<u>\$1,606</u>	<u>\$ 474</u>

8. WORKING CAPITAL LOANS

	<u>1996</u>	<u>1995</u>
	(in thousands of dollars)	
Promissory notes	\$5,448	\$5,511
Bankers acceptances	4,000	
Working capital loans from Canada	<u>-</u>	<u>1,000</u>
	<u>\$9,448</u>	<u>\$6,511</u>

The working capital loans from Canada are made under Section 16(1) of the Act and are secured by promissory notes.

Freshwater Fish Marketing Corporation

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>1996</u>	<u>1995</u>
	(in thousands of dollars)	
Trade	\$1,735	\$982
Other	894	820
Provision for final payments to fishermen	<u>2,748</u>	<u>4,518</u>
	<u>\$5,377</u>	<u>\$6,320</u>

10. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$670,103 (1995 - \$607,069) to sales agents, which were netted against sales. Included in that amount are \$594,308 (1995 - \$550,399) of commissions paid to the following foreign sales agents: Juhl Brokerage Incorporated, G. & G. Food, R.M. Sloan Co., Benolken Brokerage Company, X. Sea. Int International Corp., Performance Foods, Great Lakes Marketing, McMahon & MacDonald Food Brokers, D.B. Clark Sales, Hockenberg Newburgh Sales & Marketing - United States; I. LeGrand H. Malo et Cie - France; Lejos Oy - Finland; Rud Kanzow GmbH & Co. - Germany; Bo E Sjostrom Trading AB - Sweden.

11. INTEREST EXPENSE

	<u>1996</u>	<u>1995</u>
	(in thousands of dollars)	
Interest on working capital loans from Canada	\$214	\$133
Interest on bank loans	403	355
(Gain) loss on foreign exchange	(17)	(31)
Interest expense (income)	<u>81</u>	<u>(39)</u>
	<u>\$681</u>	<u>\$418</u>

12. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1996 the excess of undepreciated capital cost over net book value of capital assets amounted to \$1,605,800 (1995 - \$1,205,419) which can be used to reduce future years' taxable income.

13. COMPARATIVE FIGURES

Certain 1995 comparative figures have been reclassified to reflect the presentation adopted in 1996.

C o r p o r a t e D i r e c t o r y

Board of Directors

Sam Murdock
Chairman of the Board
Fisher River, Manitoba

Tom Dunn
President and General Manager
Winnipeg, Manitoba

Peter D. Allen
Yellowknife, Northwest Territories

Andrew Bouvier
Île-a-la-Croix, Saskatchewan

Irvin Constant
The Pas, Manitoba

Ed Isfeld
Winnipeg Beach, Manitoba

William Monkman
Selkirk, Manitoba

Gordon McDougall
Ashern, Manitoba

David N.S. McArthur
Lac La Biche, Alberta

Douglas J. Sayers
Souix Lookout, Ontario

Advisory Committee

Robert T. Kristjanson
Chairman
Gimli, Manitoba

Bill Bouchie
Berens River, Manitoba

John Carriere
Cumberland House, Saskatchewan

Gordon Caudron
Joussard, Alberta

Gordon McDougall*
Ashern, Manitoba

Leonard McFarlane
Lac La Biche, Alberta

David E. Traverse
Gypsumville, Manitoba

David Olson
Gimli, Manitoba

Mark Sinclair
Grand Marais, Manitoba

Six Vacancies

* Appointed to the
Board of Directors in 1996.

Officers

Tom Dunn
President and General Manager
Winnipeg, Manitoba

Gerald Malone
Vice-President, Marketing

Gerald McCurley
Vice-President, Production

Bruce Popko
Vice-President, Corporate Relations

Gabriella Bradics
Controller



Winter fishermen on
Wabamun Lake
in Alberta.

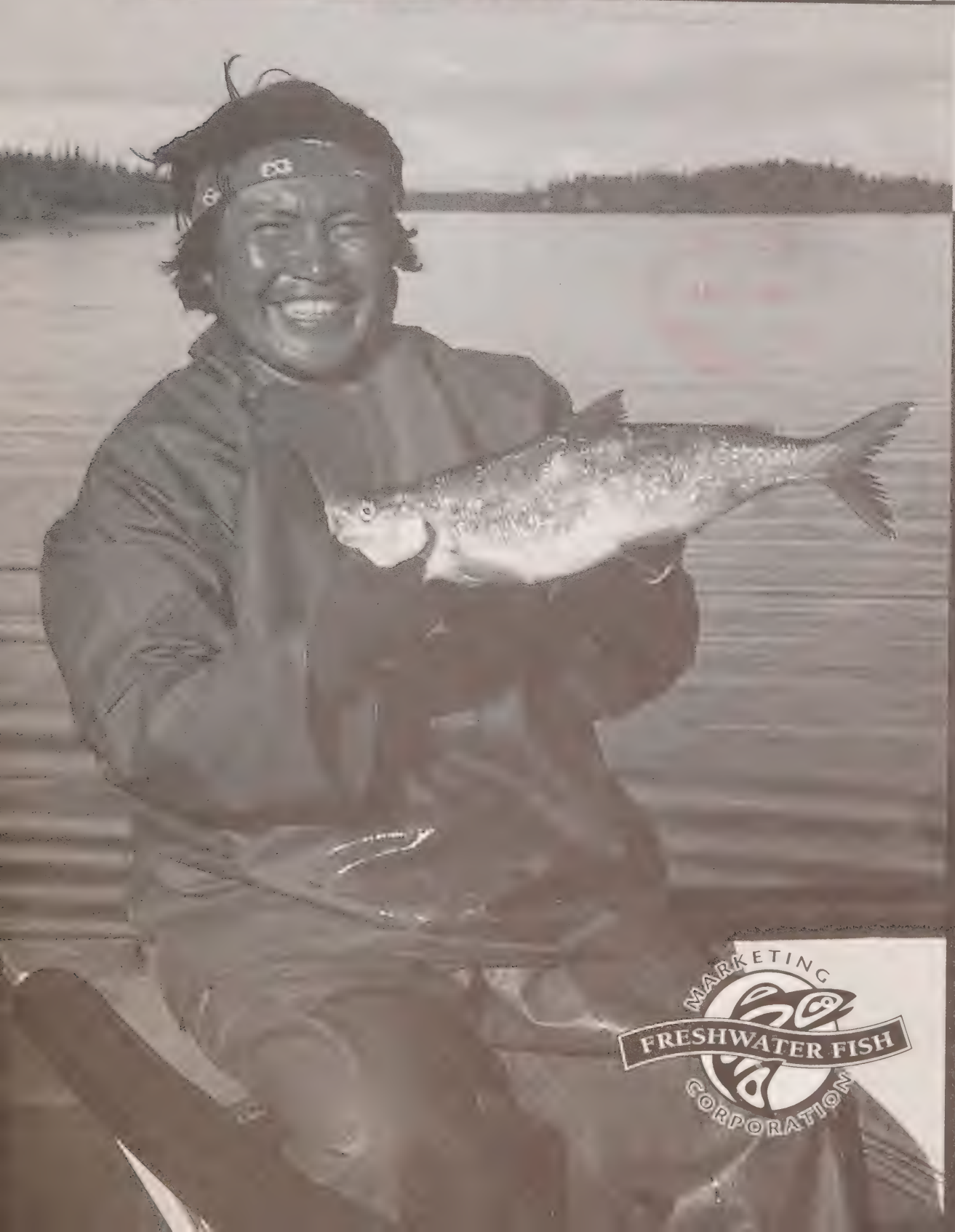




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Freshwater Fish Marketing Corporation



1996-97
Annual
Report





Contents

Page

3	Corporate Profile
4	Director's Report
10	An Elected Advisory Committee
10	Landings Over the Last Eight Years
10	Final Payments for 1996/97
11	Eight Year Financial Summary
12	Financial Statement
19	Corporate Directory

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OFFICE DE COMMERCIALISATION DU POISSON D'EAU
DOUCE RAPPORT ANNUEL 1996-1997"

Corporate Profile

The Freshwater Fish Marketing Corporation (FFMC) is a buyer, processor and marketer of premium quality freshwater fish, harvested from over four hundred lakes in Manitoba, Saskatchewan, Alberta, the Northwest Territories and Northwestern Ontario.

Fourteen species of freshwater fish are sold by the FFMC, in a wide range of fresh and frozen product forms. The principal species are lake whitefish, pickerel (walleye), sauger (Canadian pike), northern pike, lake trout, lake perch and freshwater mullet. Others include tullibee, carp, burbot (freshwater cod), goldeye, white bass, inconnu and lake sturgeon.

The FFMC was established in 1969 by the Freshwater Fish Marketing Act and with the participation of each of the provinces it operates in. The Corporation has the exclusive right to trade and market fish produced within its mandated region on an interprovincial and export basis, and it exercises that right with the objective of: a) marketing fish in an orderly manner, b) maximizing returns to fish producers, and c) promoting international markets and increasing trade in fish.

The Freshwater Fish Marketing Corporation is a Federal Crown Corporation, which operates on a self-sustaining basis with no appropriations from Parliament. In practise, the FFMC actually operates much like a producer's co-operative, with the beneficiaries being the commercial fish producers of Manitoba, Saskatchewan, Alberta, the Northwest Territories and Northwestern Ontario. Its primary goal is to achieve the greatest economic returns possible for the commercial fish producers it serves, and all of the activities of the Corporation are carried out with this in mind. To achieve this goal, the FFMC works continuously to provide its customers with only the highest quality products on a consistent year round basis, and strives relentlessly for greater efficiency in all aspects of its operations, from lake to market.

The real story behind the success of the Corporation lies in the team of people who work together across this immense region and overcome the problems posed by remoteness and distance. A team that includes over 3500 commercial fish producers who fish summer and winter and provide a consistent supply of top quality products; a network of 75 agents who grade and purchase fish at lakeside; the transport companies who move our product by road, water, rail and air; the people who operate the Corporation's world class processing plant in Winnipeg; and an efficient network of brokers and distributors who sell our products around the globe.



Director's Report

One of the Most Difficult Years on Record

Going into 1996, we knew we would be facing serious challenges in the market, but as the year unfolded we were also hurt by events that were impossible to predict. Our whitefish sales in Finland were reduced substantially by a scare in the market that resulted from one consumer becoming ill after eating smoked fish. Although it is clear the problem was caused by improper handling by the consumer, the flurry of negative media coverage that ensued ended up costing the Corporation a significant percentage of its whitefish sales in Finland. This important market has still not fully recovered, in spite of tremendous efforts to provide the buying public with the facts about the quality and safety of our products.

Our sales and earnings in Europe were also hurt by changes in currency values. These currency fluctuations did not earn an extra cent for the Corporation, but they did make our products more costly for our foreign customers. In France, where much of our northern pike is sold, the value of the franc tumbled in value against the Canadian dollar by roughly 23% over the last eighteen months. At the same time, Finnish currency fell in value by close to 30% against our dollar.

Business during 1996/97 was also impacted by events here at home. In spite of good initial prices to fish producers for pickerel and sauger, deliveries to the Corporation fell by 700,000 kilograms from the previous year. This was a continuation of a disturbing cycle that has seen overall deliveries of pickerel and sauger drop to only 64% of average annual landings over the last decade. During 1996/97, landings of lake perch in this region also fell by 45% from 1995/96. This drop in catches of our most valuable species has been felt from lake through to market and has sharply reduced the profitability of the Corporation.

What has been difficult for many to understand is why prices for pickerel, sauger and lake perch have not shot up since fish has been in short supply. As a matter of fact, the opposite has been true. Selling prices for our smaller fillet

sizes have actually fallen in the past year and generally speaking, consumers have been resisting purchases of higher priced products. The truth is that although landings of pickerel, sauger and perch are down in this region, there has been no shortage of fish in the market. Catches of pickerel and perch have been coming on strong in eastern Canada and our competitors have been aggressively selling against us. European walleye is now being produced in significant volumes and sold into traditional markets for small fillets at well under our wholesale prices. Salmon producers in Alaska and abroad have been harvesting record volumes of wild and farmed salmon and are buying and selling so low that they are stealing market share away from other species in the market...and competition from outside the fish and seafood industry has also been fierce. Bargain priced poultry has stolen away a sizable chunk of the market from other protein products and continues to place serious constraints on the prices that competitors can charge.

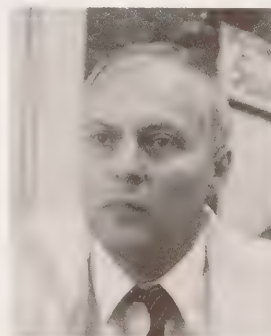
Positive Developments

The problems facing the industry always seem to steal our attention...but we also had some very important gains over the past year. For example, sales of rough fish hit an all time record. In fact, 4.7 million kilograms of freshwater mullet was harvested in this region during 1996/97 and successfully sold by the Corporation. Production and sales of carp climbed as well, increasing by 33% to 552,000 kilograms (round weight). Continuing efforts were also made to develop markets for burbot (freshwater cod). Burbot was sold in the Canadian retail market in filleted and headless dressed forms and product was sold in countries as distant as Eastern Europe and the Caribbean. The continuing challenge with burbot has been to overcome problems relating to short shelf life and variations in flesh colour from lake to lake.

During 1996/97, the Corporation also continued to sell large volumes of whitefish in spite of the serious problems we encountered in Finland. Part of the Corporation's



Sam W. Murdock
Chairman of the Board
Fisher River, Manitoba



Tom Dunn
President and General Manager
Winnipeg, Manitoba

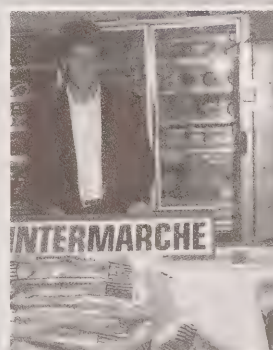
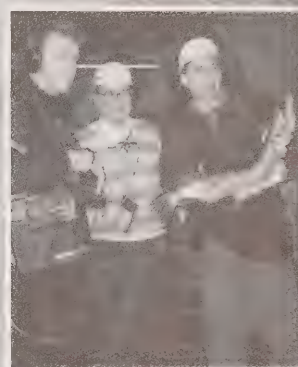
success was due to gains made in new markets in Eastern Europe. Although the economy in this region is weak, we have been making progress in establishing a presence in these emerging markets. In the year ahead, we are optimistic that sales volumes will continue to grow and will help take some of the pressure off of traditional markets for whitefish in North America. While we were making inroads in Eastern Europe, progress was also made in strengthening the Corporation's presence in the smoked whitefish trade in North America. Indications are that this segment of our business will continue to grow in the coming year.

Coming into 1996/97 we had serious concerns over building inventories of northern pike. In an effort to deal with the problem, major promotions were launched in France, which continues to be our largest market for this species. The success of these promotional efforts enabled the Corporation to reduce pike inventories significantly. This occurred in spite of the dropping value of French currency, which had the effect of making our products more expensive for our customers. The Corporation also succeeded in opening new markets for northern pike in two countries in the former Soviet Union and retail sales of pike were expanded in North America.

Sale of lake trout also presented a real challenge in 1996/97, especially in light of the waves of low priced salmon that have continued to flood the market. Although price competition was severe and deliveries of lake trout were up by close to 20%, the Corporation's sales force succeeded in moving all of last year's catch to market.

Financial Outcome of 1996/97

When our 1996/97 fiscal year finally came to a close, the sales of the FFMC totaled \$43 million (\$47.1 million in 1995/96) and the surplus generated for final payments stood at \$180,000 (\$2.75 million in 1995/96). After years of multi-million dollar final payments to fishermen, we are disappointed that final payments for 1996/97 will total only \$180,000. Knowing that one of our largest competitors posted a significant loss this year does not make our



Peter Allen
Director

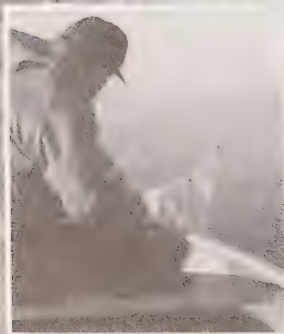
Yellowknife, Northwest Territories



Andrew Bouvier
Director

Ile-à-la-Croix, Saskatchewan





situation any easier to accept. However, it does support the fact that these are difficult times throughout the industry.

In last year's annual report, we said that we would continue to build on the strengths of the Corporation. The quality of our products, our year round consistency of supply, and the financial strength that comes from having the fish producers in this region working together within the Corporation rather than competing with each other. The difficulties we have been encountering in the market clearly show that this partnership between producers is more important today than ever before.

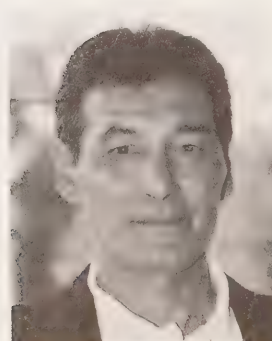
As Directors of the Corporation, most of us fishermen, we appreciate the support producers have shown during these difficult times. We and the staff of the Corporation will continue to do our very best for you in the year ahead.

Strategy for 1996/97

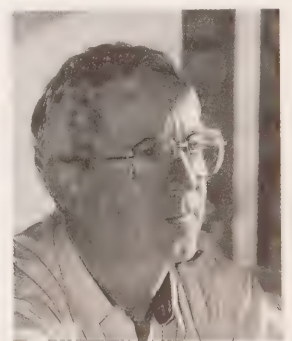
Our strategy for the FPMC in 1996/97 was to continue building on the strengths of the Corporation and to address the principal concerns contained in the February, 1995 report of the Standing Committee on Fisheries and Oceans. Our objectives and strategies for 1996/97 were to:

1. *Capitalize on our reputation as a reliable supplier of quality products in both existing markets and potential new markets in order to increase volumes and/or selling prices.*

Result: In spite of the exceptionally tough price competition we have been facing in domestic and foreign markets and problems in Finland which were beyond our control, the Corporation has continued to sell large volumes of whitefish. As a result, inventories of whole frozen product have been kept at manageable levels. Pickerel and sauger has also been under intense price competition from eastern Canadian producers and from European walleye (zander). Nevertheless, the Corporation has continued to be a price leader in the pickerel market and has maintained a high degree of customer loyalty despite periodic problems in supplying prime fillet sizes. Sales of mullet were definitely a success story in 1996/97,



Irvin Constant
Director
The Pas, Manitoba



Ed Isfeld
Director
Winnipeg Beach, Manitoba

allowing fish producers to land over 4.7 million kilograms over the course of the summer and winter. In each of these cases, the reputation of the Corporation as a large and reliable supplier helped significantly.

2. *Achieve better timing and volume of landings of all species, but particularly for whitefish, so as to take better advantage of opportunities in U.S. fresh fish markets and make more efficient use of processing plant capacity. In the specific case of whitefish, inventory levels must be managed by influencing production levels to ensure costs of carrying whitefish inventories do not become excessive. This will be accomplished through continued discussions with provincial natural resource departments, coordination of the timing of fishing seasons directly with fishers' associations, and through more judicious use of premium prices paid to fishers at different times of the year.*

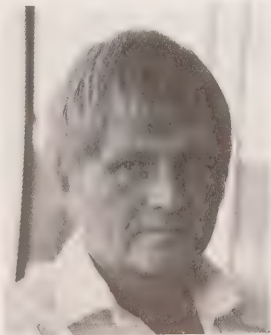
Result: There were continued advances in 1996/97 as a result of efforts to better match deliveries of fish to plant capacity and demand. Much of the improvement came about as a result of working together with fishers, provincial resource managers and major customers to streamline production and sales requirements. Openings of key whitefish fisheries were scheduled so that important customers in ethnic markets could be guaranteed the product they required to meet seasonal demand. This helped to avoid adding unnecessarily to minced whitefish inventories that represent a continuing concern for the Corporation. Improved coordination also enabled the Corporation to better supply fresh fish customers as well. Efforts to coordinate harvests with demand and processing are continuing through use of pricing strategies and through ongoing communication with key players in the fishery.

3. *Broaden significantly our customer base for northern pike and mullet products.*

France continues to be our principal market for northern pike products. Sales in this market have been trending towards more IQF pike fillets and less minced blocks and hopes are that this may provide future opportunities to increase market returns. During 1996, we were also



Dave McArthur
Director
Lac La Biche, Alberta



Gordon McDougall
Director
Ashern, Manitoba





successful in selling our first container loads of whole frozen northern pike into the Czech Republic and into Slovakia. These countries were part of the former Soviet Union and their economies are still very fragile, but now is the time to begin establishing lines of trade in this region. Sales of our IQF northern pike fillets were also broadened into the American mid-west, where they are primarily being sold in the retail trade.

The Corporation's primary customers for freshwater mullet are manufacturers who produce gefilte fish and major brand name producers of fish sticks. Our sales reached record levels during 1996/97, enabling the Corporation to purchase all of the mullet fish producers could deliver. But efforts were still made to seek out new markets and to diversify our product lines. During 1996/97 we succeeded in selling truckload volumes of frozen head-on mullet in poly-bags to major Canadian retail stores. Indications are that the principal buyers for mullet in this form are recent immigrants and Asian Canadians who are accustomed to dealing with whole fish. Although potential in this market may be limited, it will help us to sell additional mullet and broaden the range of options we have in the market.

4. *Increase returns to fishermen by decreasing costs to handle fish at lakeside and in processing operations, through increased use of computerized equipment and improved methods.*

Result: The Winnipeg processing operation of the FPMC is one of the most advanced of its kind in North America. Mechanization and computerization in this plant has enabled the Corporation to control and significantly reduce processing costs. Continuing efforts are being made to streamline this operation and to minimize expenses through rigorous day to day management and cost control. Attempts to seek out even the smallest savings are now critical, particularly in light of the serious reductions we have witnessed in production of our most valuable species.

Almost all of the Corporation's lakeside agents have now acquired computers through the Corporation and are linked by modem to the Corporation's central computer in Winnipeg. The Corporation now has updated information



Willie Monkman
Director
Victoria Beach, Manitoba



Doug Sayers
Director
Sioux Lookout, Ontario

every week on volumes and species of fish delivered by each of 3500 fishers located across this region. This information is used by provincial fisheries departments for lake and quota management and has helped lakeside agents to streamline their accounting operations and improve the information available to fishers.

5. *To improve labour efficiency in the Transcona Plant by 1.5% per year.*

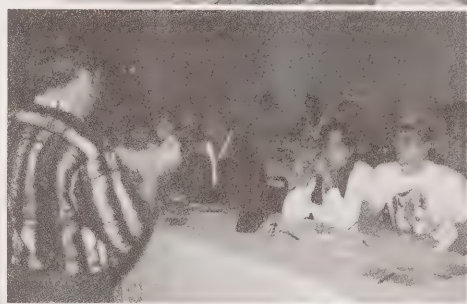
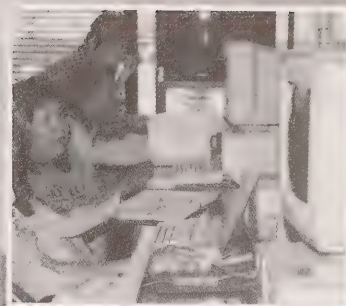
The target of improving the labour efficiency in the Transcona plant by at least 1.5% during 1996/97 was achieved. Efforts to control and reduce costs throughout the Corporation's operations will continue in the year ahead.

6. *To actively encourage more producer cooperatives or private individuals to own and operate lakeside fish packing facilities now operated directly by the Freshwater Fish Marketing Corporation.*

Result: Only six of the seventy-five lakeside fish packing stations in the Freshwater region continue to be owned and staffed by the Corporation. This is down from seven stations in 1995/96. The Corporation was staffing and operating twenty lake stations only six years ago.

7. *To communicate more effectively with fish producers concerning the operations of the Freshwater Fish Marketing Corporation and the benefits to them of the single selling desk and centralized processing.*

Result: Enhancing communications with the 3,500 commercial fish producers in this region is a major priority of the Corporation. In attempting to meet this challenge, the FPMC has been producing and distributing regular newsletters and is sending annual reports to fishers across the region. Tours of the Corporation's Winnipeg plant have also taken place with fish producers arriving from as far away as northern Saskatchewan. A feature video on commercial fishing and on the operations of the FPMC was completed and is now being distributed throughout the region. Regional information meetings have also commenced to update fishers on production and sales and to provide a forum to discuss issues and concerns. Recently, the Corporation has also hired an additional communications worker to assist in increasing contact with fish producers throughout the north. Communication continues to be a difficult job in a region this far flung, but it is clearly a critical part of this business.



An Elected Advisory Committee

Moves are still underway to introduce federal legislation which will require members of the Advisory Committee to the Freshwater Fish Marketing Corporation to be elected by fish producers on a regional basis. Expectations were that the first elections would be held in the fall of 1997, but the recent Federal election has delayed passage of the necessary legislation.

Until now, members have been appointed by the Federal Government. The change to an elected Advisory Committee will guarantee that producers are represented on a regional basis. This was one of the concerns previously voiced by producers in the north, who felt they were too often overlooked when appointments to the Advisory Committee were made by the Government.

A total of eleven electoral regions are being created - based on numbers of fishermen and production. One Advisor will be elected from the Northwest Territories, one from Alberta, and three from Saskatchewan. Manitoba will have six electoral regions, one of which will also span Northwestern Ontario.

Given the importance of the Advisory Committee, the Board of Directors of the Corporation recently voted to establish an interim Committee to act until legislation is in place to allow for an election. Consultation will be carried out with the executive of fishing associations in each region to select interim Advisors

Eight Year Historical Summary of Landings in Round Weight

(Millions of Kilograms)

Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996	1997
Whitefish	6.2	6.1	6.6	5.3	5.0	6.3	6.4	6.4
Pickereel	4.9	3.9	4.4	3.9	3.0	3.0	3.1	2.6
Sauger	2.7	2.2	2.5	1.9	1.5	1.7	1.3	1.1
Northern Pike	3.3	2.5	3.2	2.6	2.1	1.9	2.5	2.4
Lake Trout	0.7	0.4	0.4	0.3	0.5	0.5	0.5	0.5
Tullibee	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.2
Lake Perch	0.5	0.4	0.5	0.3	0.1	0.4	0.5	0.3
Mullet	1.5	1.0	4.7	0.8	1.1	0.9	3.7	4.7
Carp	0.3	0.7	0.7	0.1	0.4	0.4	0.4	0.5
All Others	0.4	0.4	0.5	0.5	0.1	0.1	0.3	0.3
Totals	20.7	17.7	23.6	15.9	14.0	15.2	18.7	19.1

Final Payments For 1996/97

In mid-November, 1997, fish producers in the Freshwater Fish Marketing Corporation region will receive \$180,000 in final payments for fish delivered during the fiscal year ended April 30th, 1997. The Corporation's profit of \$180,000 was generated on total sales of \$43.0 million during 1996/97. This compares to a profit during 1995/96 of \$2.75 million on total sales of \$47.1 million.

FRESHWATER FISH MARKETING CORPORATION FINAL PAYMENTS FOR THE YEAR ENDING APRIL 30TH, 1997

SPECIES:	\$/LB	\$/KG
PICKEREL		
ROUND	.027	.059
BELLY-SPLIT	.032	.071
HEADLESS DRESSED	.037	.082
SAUGER		
ROUND	.011	.024
BELLY-SPLIT	.013	.028
HEADLESS DRESSED	.015	.033
GOLDEYE	.021	.046

Eight Year Financial Summary (all amounts in millions of dollars)

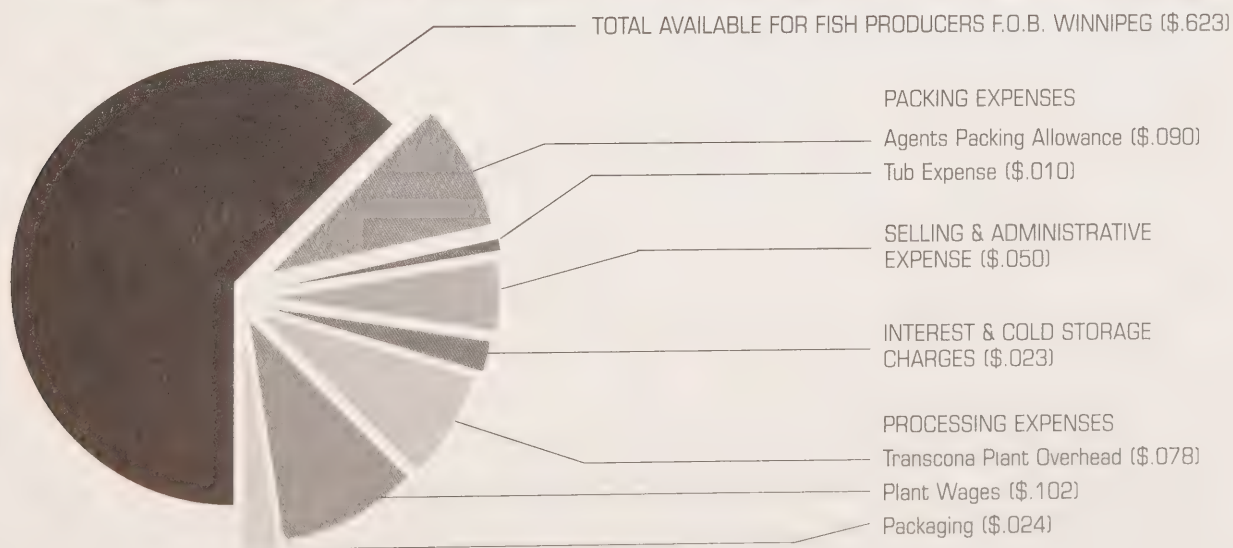
Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996	1997
Sales	49.4	52.1	51.3	45.8	38.8	43.7	47.1	43.0
Net Income Before Final Payments	2.0	2.2	6.3	6.9	3.3	4.5	2.7	0.2
Initial Payments To Fishermen	25.0	21.1	29.9	23.2	18.6	24.8	30.3	25.4
Net Income Plus Initial Payments To Fishermen	27.0	23.3	36.2	30.1	21.9	29.3	33.0	25.6
Accounts Receivable – Trade	6.1	5.0	5.7	3.2	3.6	4.2	4.5	4.6
Inventory – Finished Fish Product	10.5	1.3	4.9	5.3	2.8	3.5	6.7	7.0
Inventory – Packaging Material and Parts	1.5	1.2	1.2	1.1	1.0	0.9	1.1	1.1
Fixed Assets – Net Book Value	8.8	9.2	8.6	8.0	7.3	7.6	7.5	7.0
Loans Payable	21.0	9.9	9.0	6.0	6.6	7.0	11.1	13.2
Retained Earnings*	3.3	3.4	3.8	4.0	4.2	4.2	4.2	4.2

*Retained Earnings

Over the years, the FFMC has gradually built up “retained earnings” totalling \$4.2 million. This total (commonly known by fish producers as “the reserve fund”) was slowly accumulated through deductions from earnings generated from sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish. This reduces the Corporation’s dependency on borrowing from banks and enables the Corporation to reduce annual interest costs. Although \$4.2 million in retained earnings is low for a business the size of the Corporation, it provides at least some security against major unexpected downturns in the market or extremely serious financial setbacks.

Where Our Sales Dollar Went In The Eight Years Ended April 30, 1997



Management's Report

Financial Statement For The Year Ending April 30th, 1997

Management's Responsibility For Financial Statements

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board meets regularly with management and the auditors, who have full and free access to the Board.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.



Tom Dunn
President



Gabriella Bradics
Controller

Winnipeg, Canada
July 25, 1997

Auditor's Report



Auditor General of Canada

To the Minister of Fisheries and Oceans

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1997 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Freshwater Fish Marketing Act and the by-laws of the Corporation.



Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 25, 1997

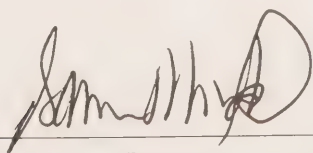
Freshwater Fish Marketing Corporation

BALANCE SHEET as at April 30, 1997 (in thousands of dollars)

	<u>1997</u>	<u>1996</u>
ASSETS		
Current		
Accounts receivable (Notes 3 and 5)	\$ 4,951	\$ 5,020
Inventories (Note 4)	8,115	7,807
Prepaid expenses	<u>81</u>	<u>82</u>
	13,147	12,909
Loan receivable (Note 5)	21	136
Capital assets (Note 6)	<u>6,970</u>	<u>7,539</u>
	<u>\$20,138</u>	<u>\$20,584</u>
LIABILITIES		
Current		
Bank indebtedness (Note 7)	\$ 57	\$ 1,381
Accounts payable and accrued liabilities (Note 8)	2,724	5,377
Loans payable (Note 9)	<u>13,204</u>	<u>9,673</u>
	<u>15,985</u>	<u>16,431</u>
RETAINED EARNINGS		
Retained earnings	<u>4,153</u>	<u>4,153</u>
	<u>\$20,138</u>	<u>\$20,584</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Director



Director

Freshwater Fish Marketing Corporation

STATEMENT OF OPERATIONS AND RETAINED EARNINGS for the year ended April 30, 1997 (in thousands of dollars)

	<u>1997</u>	<u>1996</u>
Operations:		
Sales (Note 10)		
Export	\$34,840	\$37,235
Domestic	<u>8,164</u>	<u>9,881</u>
	<u>43,004</u>	<u>47,116</u>
Cost of sales		
Opening inventory of finished fish products	6,703	3,546
Add: Fish purchases and processing expenses		
Initial payments to fishers (Note 2)	24,993	29,708
Salaries, wages and benefits	5,041	5,036
Packing allowances and agency operating costs	4,101	4,225
Packaging and storage	2,284	2,333
Amortization of production assets	1,219	1,033
Utilities and property taxes	1,179	970
Repairs and maintenance	865	686
Fishers E.I. premiums	480	594
Other	<u>(53)</u>	<u>(74)</u>
	46,812	48,057
Less: Ending inventory of finished fish products	<u>(7,019)</u>	<u>(6,703)</u>
	<u>39,793</u>	<u>41,354</u>
Gross profit on operations	<u>3,211</u>	<u>5,762</u>
Marketing and administrative expenses		
Salaries and benefits	1,122	1,099
Interest (Note 11)	800	681
Data processing, office and professional services	432	498
Advertising and promotion	181	249
Amortization of administration assets	369	193
Bad debts	8	116
Meetings fees and expenses	57	71
Other	<u>62</u>	<u>107</u>
	<u>3,031</u>	<u>3,014</u>
Income before provision for final payments to fishers	<u>180</u>	<u>2,748</u>
Provision for final payments to fishers (Notes 2 and 8)	<u>180</u>	<u>2,748</u>
Net income for the year (Note 12)	<u>-</u>	<u>-</u>
Retained earnings at beginning of the year	<u>4,153</u>	<u>4,153</u>
Retained earnings at end of the year	<u>\$4,153</u>	<u>\$4,153</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended April 30, 1997
(in thousands of dollars)

	<u>1997</u>	<u>1996</u>
Cash provided by (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash		
Amortization	1,588	1,226
Gain on sale of capital assets	(118)	(57)
Net changes in non-cash working capital balances relating to operations	<u>(321)</u>	<u>(2,602)</u>
Cash provided by (used for) operations	<u>1,149</u>	<u>(1,433)</u>
Investing activities		
Additions to capital assets	(1,185)	(1,347)
Decrease in loan receivable	113	211
Proceeds on sale of capital assets	<u>284</u>	<u>270</u>
Cash used for investing activities	<u>(788)</u>	<u>(866)</u>
Financing activities		
Increase in loans payable	<u>3,531</u>	<u>2,699</u>
Cash provided by financing activities	<u>3,531</u>	<u>2,699</u>
Decrease in provision for final payments to fishers	<u>(2,568)</u>	<u>(1,770)</u>
Increase (decrease) in cash during the year	1,324	(1,370)
Bank indebtedness at beginning of year	<u>(1,381)</u>	<u>(11)</u>
Bank indebtedness at end of year	<u>\$ (57)</u>	<u>\$ (1,381)</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
April 30, 1997

1. AUTHORITY, OBJECTIVES AND OPERATIONS

The Corporation was established in 1969 by the Freshwater Fish Marketing Act and with the participation of each of the provinces and territory it operates in, for the purpose of marketing and trading in fish, fish products and fish by-products in and outside of Canada. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Schedule III, Part I of the Financial Administration Act. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$30 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, and promoting international markets and increasing interprovincial and export trade in fish.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases and the average actual cost for direct labour and overhead directly related to processing for the year. At year end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	• Lake stations	Straight-line	5-10%
	• Plants	Straight-line	2 1/2%
Equipment	• Machinery and office equipment	Declining balance	10 - 40%
	• Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are expensed on a current year basis, and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and judgments that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unusable finished fish inventories to their estimated net realizable value. Actual results could differ from those estimates, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. ACCOUNTS RECEIVABLE

	<u>1997</u>	<u>1996</u>
	(in thousands of dollars)	
Trade	\$4,604	\$4,534
Other	263	404
Current portion of loan receivable	84	82
	<u>\$4,951</u>	<u>\$5,020</u>

4. INVENTORIES

	<u>1997</u>	<u>1996</u>
	(in thousands of dollars)	
Finished fish products	\$7,019	\$6,703
Packaging material and supplies	1,096	1,104
	<u>\$8,115</u>	<u>\$7,807</u>

5. LOAN RECEIVABLE

The loan receivable is denominated in U.S. dollars (\$75,000), secured by various capital assets, repayable in monthly principal instalments of \$5,000 U.S. plus interest and bears interest at 1 1/2% above the bank's U.S. base rate.

6. CAPITAL ASSETS

	<u>1997</u>		<u>1996</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
	(in thousands of dollars)		
Land	\$ 258	\$ -	\$ 258
Buildings	6,825	4,071	2,754
Equipment	15,223	12,025	3,198
Fresh fish delivery tubs	714	283	431
Vessels	342	174	168
Construction in progress	161	-	161
	<u>\$23,523</u>	<u>\$16,553</u>	<u>\$6,970</u>
			<u>\$7,539</u>

7. BANK INDEBTEDNESS

The operating loan is due on demand, unsecured and bears interest at the bank's prime lending rate payable monthly in arrears.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>1997</u>	<u>1996</u>
	(in thousands of dollars)	
Trade	\$1,442	\$1,735
Other	1,102	894
Provision for final payments to fishers	180	2,748
	<u>\$2,724</u>	<u>\$5,377</u>

9. LOANS PAYABLE

	<u>1997</u>	<u>1996</u>
	(in thousands of dollars)	
Demand loan	\$ 112	\$ 225
Promissory note	5,592	5,448
Bankers acceptances	<u>7,500</u>	<u>4,000</u>
	<u>\$13,204</u>	<u>\$9,673</u>

The demand loan is denominated in U.S. dollars (\$80,000), unsecured, repayable in monthly principal instalments of \$5,000 U.S. plus interest and bears interest at the bank's U.S. base rate.

The promissory note is denominated in U.S. dollars (\$4,000,000), unsecured, repayable in U.S. dollars, bears interest at 5.9875% (5.7375% in 1996) and matures on May 12, 1997.

The bankers acceptances are unsecured, bear interest from 3.5% to 3.63% (5.76% in 1996) and mature on May 6 to May 29, 1997.

10. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$603,521 (1996 - \$670,103) to sales agents, which were netted against sales. Included in that amount are \$532,982 (1996 - \$594,308) of commissions paid to foreign sales agents.

11. INTEREST EXPENSE

	<u>1997</u>	<u>1996</u>
	(in thousands of dollars)	
Interest on loans	\$ 668	\$ 617
Loss (Gain) on foreign exchange	102	(17)
Interest expense	<u>30</u>	<u>81</u>
	<u>\$ 800</u>	<u>\$ 681</u>

12. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1997 the estimate of the excess of undepreciated capital cost over net book value of capital assets amounted to \$667,000 (1996 - \$1,276,000) which can be used to reduce future years' taxable income.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounts and loan receivable, bank indebtedness, accounts payable and accrued liabilities and loans payable are valued at their carrying values included on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

14. COMPARATIVE FIGURES

Certain 1996 comparative figures have been reclassified to reflect the presentation adopted in 1997.

Board of Directors

Sam Murdock
Chairman of the Board
Fisher River, Manitoba

Tom Dunn
President and General Manager
Winnipeg, Manitoba

Peter D. Allen
Yellowknife, Northwest Territories

Andrew Bouvier
Ile-à-la Crosse, Saskatchewan

Irvin Constant
The Pas, Manitoba

Ed Isfeld
Winnipeg Beach, Manitoba

William Monkman
Victoria Beach, Manitoba

Gordon McDougall
Ashern, Manitoba

David N.S. McArthur
Lac La Biche, Alberta

Douglas J. Sayers
Sioux Lookout, Ontario

Officers

Tom Dunn
President and General Manager
Winnipeg, Manitoba

Gerald Malone
Vice-President, Marketing

Bruce Popko
Vice-President, Corporate Relations

Gabriella Bradics
Controller

Freshwater Fish Marketing Corporation
1199 Plessis Road
Winnipeg, Manitoba R2C 3L4
Canada



ADDRESS CORRECTION REQUESTED



1199 Plessis Road Winnipeg, Manitoba, Canada R2C 3L4
Phone (204) 983-6600 Fax (204) 983-6497

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FS100
A56

FRESHWATER FISH

MARKETING

CORPORATION



The **World's**

Premier Supplier of

Freshwater Fish

1997 98 ANNUAL R-POR





TABLE OF CONTENTS

• Corporate Profile	Page 1
• Director's Report	Page 2
• Final Payments for 1997-1998	Page 6
• Historical Summary of Landings	Page 8
• Historical Financial Summary	Page 9
• Financial Statements	Page 10
• Corporate Directory	Page 17

CORPORATE PROFILE

The Freshwater Fish Marketing Corporation (FFMC) is a buyer, processor and marketer of premium-quality freshwater fish, harvested from over four hundred lakes in Manitoba, Saskatchewan, Alberta, the Northwest Territories and North-western Ontario. The Corporation has the exclusive right to inter-provincial and international trade and marketing of fish produced within this region.

Established in 1969 by the Freshwater Fish Marketing Act, FFMC is a Federal Crown Corporation. It is self-sustaining with no appropriations from Parliament, and operates with participation of each of the provinces within its mandate. In practice, the Corporation operates much like a producer's co-operative, with commercial fish producers within its territory as the main beneficiaries.

The Corporation sells fourteen species of freshwater fish, in a wide range of fresh and frozen products. Principal species handled are: lake whitefish, pickerel (walleye), sauger (Canadian pike), northern pike, lake trout, lake perch and freshwater haddock. Others include tullibee, carp, burbot (freshwater cod), goldeye, white bass and inconnu.



The Freshwater Fish Marketing Corporation is a buyer, processor and marketer of premium quality freshwater fish, from Manitoba, Saskatchewan, Alberta, the Northwest Territories and Northwestern Ontario.

CORPORATE GOAL

The Corporation's goal is to achieve the greatest economic returns possible for the commercial fish producers it serves. All corporate activities are focused on this goal. To achieve this goal, the organization works to provide customers with the highest quality products - consistently and year round. It strives continuously for greater efficiency in all corporate operations, from lake to market.

OBJECTIVES

Three key objectives supporting the corporate goal are:

- To market fish in an orderly manner
- To maximize returns to fish producers
- To promote international markets and increasing trade in fish.

THE TEAM

The underlying success of the Corporation rests with the team of people who work together across this immense region and overcome the problems imposed by remoteness and distance. Our team consists of:

- Over 3500 commercial fishers who fish summer and winter to provide a consistent supply of top-quality products
- A network of 48 agents who grade and purchase fish at lakeside
- The transport companies who move the fish by road, water, rail and air
- The people who operate the Corporation's world class processing plant in Winnipeg
- An efficient and effective network of brokers and distributors who sell our products around the globe



**The real story behind
the success of the
Corporation lies in the**

**team of people who work together
across this immense region and
overcome the problems posed by
remoteness and distance.**

BOARD OF DIRECTOR'S REPORT



Sam W. Murdock

Chairman of the Board

Fisher River, Manitoba

The Freshwater Fish Marketing Corporation ended its 1997/98 fiscal year with a profit of \$2.1 million on sales of \$43 million. This is a significant improvement over 1996/97 when the same \$43-million sales level generated a profit of only \$180,000, but still lower than the nine-year average annual profit of \$3.4 million.

Profits will be available in the late fall of 1998 for final payments to fishers as outlined on the final payment table on page 8.

The increased profit results from stable markets, favourable foreign exchange rates and slightly lower initial prices for some species. This year's improved financial performance comes in spite of a 12 per cent decrease in total fish production compared to 1996/97.



A BETTER YEAR

Of the six major species handled, only pickerel showed a production improvement this year, up 7.7 per cent. Freshwater mullet, whitefish and sauger all experienced decreases, with mullet production declining the most at 21 per cent. Northern pike and trout production levels remained the same as the previous year's catch.

In terms of sales revenue, lake perch, pickerel and mullet all experienced increases over 1996/97, ranging between 8.6 and 2.9 per cent. Whitefish, sauger, northern pike and lake trout all experienced revenue decreases ranging between 5.3 and 0.5 per cent. Among smaller-volume species, revenues from inconnu decreased by 26 per cent and white bass revenues declined by almost two thirds.

As of April 30, 1998, inventories of frozen products were at desirable levels giving us a good start for 1998/99.

Throughout 1997/98, the Board of Directors, management and staff continued to build on the Corporation's strengths. We are uniquely able to provide a better response to a market of big buyers and sellers than would be possible with all parties competing independently. This is a result of our high-quality products, continuity of supply, and our financial strength derived from fish producers working together under the Freshwater Fish Marketing Corporation umbrella.

MAJOR SPECIES PRODUCTION FOR 1997/98

Total deliveries for 1997/98 dropped 12 per cent or 2.3 million kilograms from the previous year to 16.8 million kilograms round weight. Production of our major species for 1997/98 follow.

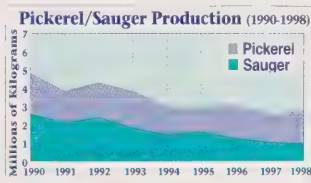
WHITEFISH

Whitefish production dropped 14 per cent or 900,000 kilograms, with almost the entire decrease being in export whitefish, our most valuable grade. High water in Northern Manitoba hampered fishing in this area, while high winds and generally poor weather contributed to a drop of 230,000 kilograms on Great Slave Lake in the Northwest Territories. The 1997/98 winter in the entire freshwater region was milder than most can remember, negatively affecting conditions for fishing on ice which particularly affected the Lake Winnipeg fishery. Saskatchewan and Alberta, however, both managed very slight increases in whitefish production for 1997/98.



PICKEREL SAUGER

Pickrel landings totaled just over 2.8 million kilograms, a slight improvement over last year, but still 30 per cent below average pickrel landings since 1985. Sauger landings totaled only one million kilograms, down 50 per cent from average landings since 1985, an even greater percentage drop than for pickrel.

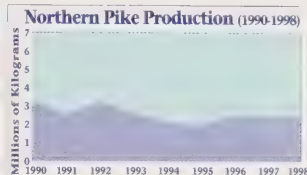


This drop in pickrel and sauger production has created real financial challenges for the Corporation and for fishers in the freshwater region. For fishers, lower pickrel and sauger catches translate into lower profits and less money to pay fishing costs. For the Corporation, lower deliveries mean less revenue to pay fixed operating costs to run the Corporation, resulting in lower profitability and less money for initial and final payments to fishers.

Many in the industry are hopeful the summer of 1998 will bring a turnaround in pickrel and sauger deliveries. Lake Winnipeg is the largest single producer of both species in this region and the 1997 fall fishery showed encouraging signs. With the 1997/98 winter fishery on Lake Winnipeg almost entirely eliminated by an abnormally late freeze up, some fishers are predicting open water production will rebound. The Corporation will be increasing initial payments for pickrel and sauger for 1998/99 to encourage increased deliveries.

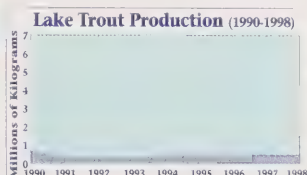
NORTHERN PIKE

Northern pike landings in 1997/98 were 2.4 million kilograms, the same level as 1996/97. This matches historical lows and has led to product shortages and inadequate inventory levels.



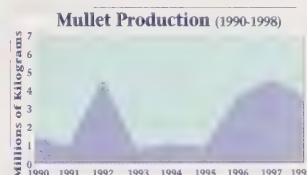
LAKE TROUT

Trout landings in 1997/98 were 500,000 kilograms, the same level as the past five years. Trout sales continued to experience competition from salmon in the North American market.

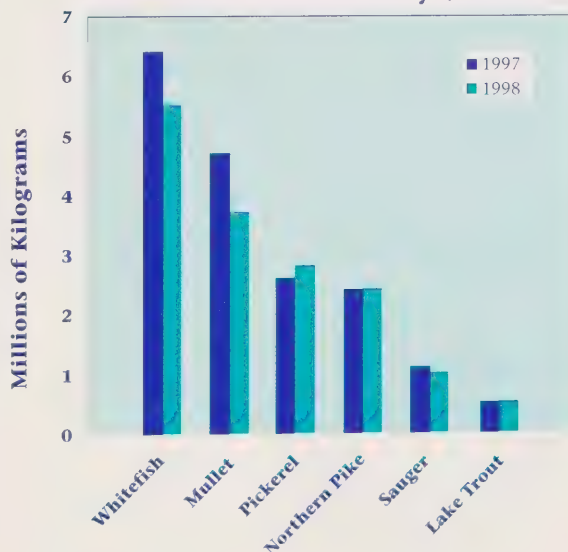


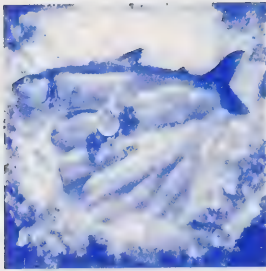
FRESHWATER MULLET

Deliveries in 97/98 totaled 3.7 million kilograms, down 21 per cent or 1.0 million kilograms from 1996/97. This volume is inadequate to fill our increasing orders and the Corporation will face a major challenge to increase production to the required levels in 1998/99.



Production Summary (1997-1998)





SALES AND MARKETING

The Corporation's strengths were instrumental this year in helping to successfully develop new markets and retain existing customers in the face of tight price competition from other Canadian and international suppliers. In recent years, the Corporation has successfully adopted a policy of matching production to markets, a practice it will continue in order to maximize returns to fishers and minimize costs.

Sales and marketing results for all species handled by the Corporation follow.

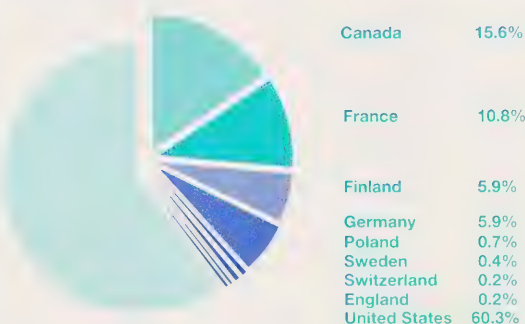
PICKEREL

Pickereel sales were \$17.2 million, up 2.9 per cent compared to 1996/1997 sales of \$16.7 million. The pickereel market this year has been positive. Even though volumes were lower than expected, we still managed to maintain our position as a price leader. We believe diversifying markets for pickereel products is important as well as continuing to promote stability by serving both European and North American markets.

SAUGER

Sauger sales were \$5.4 million, down 4.9 per cent compared to 1996/1997 sales of \$5.7 million. In Canada, we sell sauger as baby pickereel. This is a stable market returning relatively good prices. We would like to increase Canadian sales, however, we still depend on Germany for a significant portion of our sauger business. In Germany, European Zander filets provide our strongest competition, but our longstanding reputation allows us to command a premium price. In the United States, our other major market, sauger is sold under the name "Canadian Pike". Unfortunately, the U.S. government has not allowed us to market sauger as baby pickereel.

MAJOR MARKETS BY SALES REVENUE 1997/98
(millions of dollars)



LAKE PERCH

Lake perch sales were \$1.4 million, up 8.0 per cent compared to 1996/1997 sales of \$1.3 million. Brisk lake perch sales all winter left virtually no frozen product on hand at year end, with very good selling prices throughout the year.

Traditionally, most lake perch from this region is sold fresh into Eastern Canadian markets. To provide broader options in the future, we are working to develop our own filleting capabilities in Winnipeg. While we are considered an industry leader for filleting most other species, very specialized processing techniques are required for filleting fish as small and valuable as perch.

WHITEFISH

Whitefish sales were \$12.0 million, down 5.6 per cent compared to 1996/1997 sales of \$12.7 million. The Corporation is still the largest single seller of whitefish in the world. Our strategy of market diversification is allowing us to overcome potentially serious problems that can arise in individual markets. In Finland, for example, whitefish sales ceased for almost two years because of one isolated case of food poisoning involving smoked whitefish. Although the incident hurt the Corporation, we recovered because of diversification into other markets, including a new market in Poland where we are optimistic of future market growth.

Over the past 12 months, the Corporation also strengthened its North American whitefish market, despite continuing increases in whitefish

**The Corporation is
the largest single
seller of whitefish in
the world**

production from the Great Lakes. This represents a real challenge, not only to the Corporation, but also to the Great Lakes producers

who directly compete for market share both with us and among themselves.

In North America, the Corporation also continues to be the largest supplier of whitefish to the Gefilte fish market. In 1997/98, our sales into this important market continued to be strong. We are also the largest world-wide seller of golden whitefish caviar and are continuing to work at diversifying our markets



for caviar in North America and abroad. The caviar market is becoming increasingly competitive as more producers enter the business and as existing suppliers continue to market larger volumes. This is a finite market which will collapse unless efforts are made to diversify into new regions.

NORTHERN PIKE

Northern pike sales were \$4.9 million, down 2.6 per cent compared to 1996/1997 sales of \$5.1 million. Even though northern pike production is up this year, strong sales have left us with extremely low inventories and we are trying to encourage additional deliveries. The Corporation is still the largest supplier of northern pike to France and the number one supplier of northern pike to the Gefilte fish market.

This year, we have increased our sales volumes and have also increased selling prices. We have had to be cautious in our pricing due to volatile European currency fluctuations.

MULLET

Mullet sales were \$3.1 million, up 4.2 per cent compared to 1996/1997 sales of \$3.0 million. In 1997/98, we negotiated some very large sales agreements for minced mullet with major export customers. This will allow fishers to produce and deliver large volumes of mullet throughout 1998/99. Filling these large orders also helps provide better service to our smaller, but very important, customers for fresh mullet.

The corporation's strengths were instrumental this year in helping to successfully develop new markets

LAKE TROUT

Lake trout sales were \$775,000, down just over one-half of one per cent compared to 1996/1997 sales of \$780,000. In lake trout sales, the major competition comes from salmon. A key challenge is the timing of the catch and the delivery of most of our annual trout supply.

The entire catch from Reindeer Lake is produced and delivered within a few weeks in mid-summer. This coincides with retail "truck-load" sales of salmon at retail outlets making sales of any significant volumes of fresh trout difficult.

This year, we expect dressed trout in the two to six pound range to continue to move fairly well, but probably at lower prices than we would like to see. Larger size trout will pose a greater challenge this year. They are usually sold into the smoking market, but with large volumes of salmon available, we expect to see more large trout going for steaking.

WHITE BASS

White bass sales were \$42,000, down 63 per cent compared to 1996/1997 sales of \$114,000. We have been selling all large white bass produced on Lake Winnipeg, but there is still little demand for the smaller sizes, since Eastern Canadian markets are obtaining all they need from the Great Lakes.

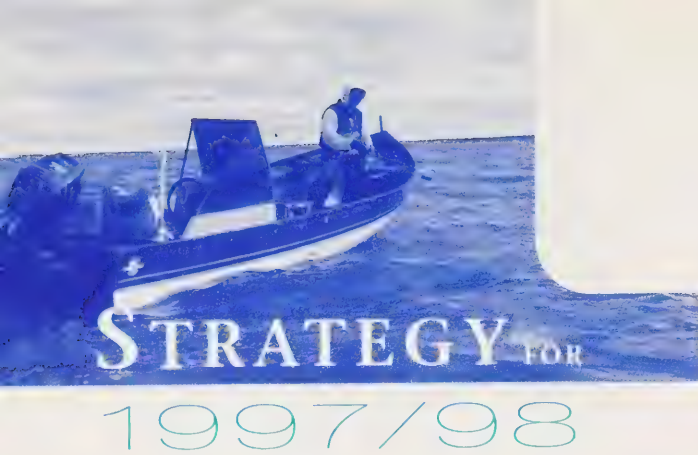
BURBOT

We have been buying limited supplies of burbot in an effort to establish ourselves with selected customers. We hope to increase both volume and prices as our markets develop.

INCONNU

Inconnu sales were \$118,000, down more than 26 per cent compared to 1996/1997 sales of \$161,000. Inconnu is a fatty fish resembling a large whitefish which is produced on Great Slave Lake. It has mainly been used in the smoked fish trade in the southern United States. However with the growing availability of whitefish, inconnu is losing its favored position in the smoked fish market. Our largest single inconnu customer indicates they will no longer pay the price premiums we have been charging for inconnu, and particularly not for the smaller sizes. Offers now proposed are \$.50 to \$1.00 per pound below past selling prices.

With these significant reductions in selling prices, the Corporation can no longer continue to pay as much for inconnu. Although we have been actively looking for alternate buyers, to date, we have been unable to find any large enough to absorb the volumes produced.



Our goal for 1997/98 was to continue to progress on all aspects of our business for the benefit of commercial fishers.

Strategies fall into four key areas:

- Increasing productivity, revenue and profitability
- Developing markets and products
- Balancing product supply and demand
- Improving communications with fishers.

Increasing Productivity, Revenue and Profitability

STRATEGY: To increase returns to fishers by decreasing fish handling and processing costs at lakeside packing stations and processing plants, through increased use of computerized equipment and improved methods.

Almost all lakeside packing agents are now using new computer hardware and Fish Purchase System software. Agents are becoming more familiar with the capabilities of the system and are finding it helps them streamline administrative work. We also expect the change to size grading by length for pickerel and sauger will prove to make agent fish packing operations more efficient.

STRATEGY: Through changes in union contracts, attempt to negotiate more flexibility in the use of seasonal labourers, which would reduce unit costs.

The current union agreement expires in 1998/99, at which time increased use of seasonal labour will be subject to negotiation.

STRATEGY: Together with packaging equipment manufacturers, develop machines to form several types of cartons, which are currently made by hand.

Costs to develop carton-forming equipment specific to our requirements appears to be prohibitive. We are continuing our search to find off-the-shelf equipment suitable for adaptation to our needs.

STRATEGY: 1.5 per cent per year improvement in labour efficiency through improved methods and new technology. This will be at the expense of jobs.

Historically, low fish production levels adversely affected labour efficiency in the Transcona processing plant.

Developing Markets and Products

STRATEGY: To capitalize on our reputation as a reliable supplier of quality products in both existing markets and potential new markets to increase volumes and/or selling prices.

Despite tough competition in both domestic and international markets, the Corporation enjoys significant loyalty from its customers. This is based on our reputation, built over many years, which is well-recognized in the industry.

STRATEGY: To broaden significantly our customer base of northern pike and mullet products.

Both northern pike and mullet were in very short supply for most of 1997/98, which meant virtually no volume was available to attempt to move into new markets.



Balancing Product Supply and Demand

STRATEGY: *To achieve better timing and volumes of landings of all species, but particularly for whitefish, which takes better advantage of opportunities in the U.S. fresh fish markets and makes more efficient use of our processing plant capacity.*



For whitefish, inventory must be managed to avoid excessive costs for carrying whitefish inventory by influencing production levels. This will be accomplished through continued discussions with provincial natural resource departments, coordination of the timing of fishing seasons directly with fishers' associations, and through more judicious use of premium prices paid to fishers at different times throughout the year.

In 1997/98 the Corporation made additional progress to better match whitefish deliveries with market requirements and previous client capacity. Inventories of frozen whitefish products at our April 30, 1998 year-end were lower than for many years. This will pay off in 1998/99 with lower carrying costs and increased production alternatives.

STRATEGY: *To attempt to stimulate the production of prime size (6oz.-12oz.) pickerel fillets to avoid shortages.*

During 1997/98, the Corporation introduced a new system of size grading for small, medium and large pickerel. We moved from a weight standard to a length standard. This was done to make size grading easier. While the introduction of the new system did not go smoothly, accuracy of grading has improved, making it possible to encourage production of medium (prime size) pickerel.

STRATEGY: *To actively encourage more fisher co-ops and/or private individuals to own and operate the lakeside fish packing facilities which are now operated directly by the Corporation, with the intention that the Corporation's direct involvement cease by the year 2000.*

The sale of one lakeside fish packing plant was negotiated in 1997/98 to be effective in 1998/99. This leaves five fish packing plants still owned and operated by FFMC (down from 20 seven years ago).



Improving Communications with Fishers

STRATEGY: *To communicate more effectively with fishers concerning our operations and the benefits to them of single-desk marketing and centralized processing.*

Communication with our 3,500 fishers dispersed over six-million square kilometres continues to be a major priority and a major challenge. In the past, the Corporation has produced and distributed newsletters, annual reports, videos and attended countless fishers' meetings. However, we still feel we need to do more and are exploring options to do a better job cost effectively.

PRODUCTION, SALES AND FINANCIAL OVERVIEW

FINAL PAYMENTS FOR 1997/98

Fiscal Year Ended April 30th

In mid-November 1998, fish producers in the freshwater region will receive \$2,132,000 in final payments for fish delivered during the fiscal year ended April 30, 1998. The Corporation's profit of \$2,132,000 was generated on total sales of \$43.0 million during 1997/98. This compares to a profit during 1996/97 of \$180,000 on total sales also of \$43.0 million.

SPECIES:		\$/LB.	\$/KG.
PICKEREL			
	ROUND	.237	.522
	BELLY-SPLIT	.284	.626
	HEADLESS DRESSED	.331	.730
SAUGER			
	ROUND	.212	.467
	BELLY-SPLIT	.254	.560
	HEADLESS DRESSED	.296	.653
NORTHERN PIKE		.021	.046
GOLDEYE		.105	.231
PERCH		.297	.655

HISTORICAL SUMMARY OF LANDINGS IN ROUND WEIGHT (1990-1998)

(Millions of Kilograms)

Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Whitefish	6.2	6.1	6.6	5.3	5.0	6.3	6.4	6.4	5.5
Pickrel	4.9	3.9	4.4	3.9	3.0	3.0	3.1	2.6	2.8
Sauger	2.7	2.2	2.5	1.9	1.5	1.7	1.3	1.1	1.0
Northern Pike	3.3	2.5	3.2	2.6	2.1	1.9	2.5	2.4	2.4
Lake Trout	0.7	0.4	0.4	0.3	0.5	0.5	0.5	0.5	0.5
Tullibee	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.1
Lake Perch	0.5	0.4	0.5	0.3	0.1	0.4	0.5	0.3	0.2
Mullet	1.5	1.0	4.7	0.8	1.1	0.9	3.7	4.7	3.7
Carp	0.3	0.7	0.7	0.1	0.4	0.4	0.4	0.5	0.4
Other	0.4	0.4	0.5	0.5	0.1	0.1	0.3	0.3	0.2
Totals	20.7	17.7	23.6	15.9	14.0	15.2	18.7	19.1	16.8

HISTORICAL FINANCIAL SUMMARY (1990-1998)

(ALL AMOUNTS IN MILLIONS OF DOLLARS)
Fiscal Year Ended April 30th

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Sales	49.4	52.1	51.3	45.8	38.8	43.7	47.1	43.0	43.0
Net Income Before Final Payments	2.0	2.2	6.3	6.9	3.3	4.5	2.7	0.2	2.1
Initial Payments To Fishers	25.0	21.1	29.9	23.2	18.6	24.8	30.3	25.4	22.1
Net Income Plus Initial Payments To Fishers	27.0	23.3	36.2	30.1	21.9	29.3	33.0	25.6	24.2
Accounts Receivable - Trade	6.1	5.0	5.7	3.2	3.6	4.2	4.5	4.6	3.4
Inventory – Finished Fish Products	10.5	1.3	4.9	5.3	2.8	3.5	6.7	7.0	4.7
Inventory – Packaging Material and Parts	1.5	1.2	1.2	1.1	1.0	0.9	1.1	1.1	1.1
Capital Assets – Net Book Value	8.8	9.2	8.6	8.0	7.3	7.6	7.5	7.0	6.1
Loans Payable	21.0	9.9	9.0	6.0	6.6	7.0	11.1	13.2	7.1
Retained Earnings*	3.3	3.4	3.8	4.0	4.2	4.2	4.2	4.2	4.2

*Retained Earnings

Over the years, the Corporation has gradually built up "retained earnings" totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduces the Corporation's dependency on external financing from banks thereby enabling the Corporation to reduce annual interest costs. Although \$4.2 million in retained earnings is low for a business the size of the FPMC, it provides at least some security against major unexpected downturns in the market or extremely serious financial setbacks.

WHERE OUR SALES DOLLAR WENT (1990-1998)



TOTAL AVAILABLE FOR FISH
PRODUCERS (\$.62) 62%

Agents Packing Allowances (\$.09) 9%

Tub Expenses (\$.01) 1%

Selling and Administrative Expenses (\$.05) 5%

Interest & Cold Storage Charges (\$.03) 3%

Transcona Plant Overhead (\$.08) 8%

Plant Wages (\$.10) 10%

Packaging Expenses (\$.02) 2%

FINANCIAL

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Freshwater Fish Marketing Corporation and all information in the annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper books and records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly with management and the auditors, who have full and free access to the Board.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.



Tom Dunn
Executive Vice-President



Gabriella Bradics
Controller

Winnipeg, Canada
July 24, 1998

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1998 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act*, and the by-laws of the Corporation.



Donald M. Young, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 24, 1998

BALANCE SHEET

as at April 30, 1998
(in thousands of dollars)

ASSETS

Current

	1998	1997
Cash	\$ 179	\$ -
Accounts receivable (Note 3)	3,627	4,951
Inventories (Note 4)	5,815	8,115
Prepaid expenses	75	81
	9,696	13,147
Loan receivable	-	21
Capital assets (Note 5)	6,116	6,970
	<u>\$ 15,812</u>	<u>\$ 20,138</u>

LIABILITIES

Current

Bank indebtedness	-	\$ 57
Accounts payable and accrued liabilities (Note 6)	4,538	2,724
Loans payable (Note 7)	7,121	13,204
	11,659	15,985

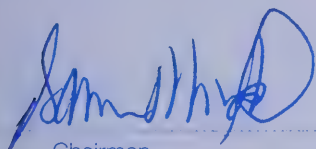
Contingency (Note 12)

RETAINED EARNINGS

Retained earnings	4,153	4,153
	<u>\$ 15,812</u>	<u>\$ 20,138</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Chairman



Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended April 30, 1998
(in thousands of dollars)

	1998	1997
Operations		
Sales (Note 8)		
Export	\$ 36,017	\$ 34,840
Domestic	7,026	8,164
	<u>43,043</u>	<u>43,004</u>
Cost of sales		
Opening inventory of finished fish products	7,019	6,703
Add: Fish purchases and processing expenses		
Initial payments to fishers	21,587	24,993
Salaries, wages and benefits	4,904	5,041
Packing allowances and agency operating costs	3,788	4,101
Packaging and storage	1,974	2,284
Amortization of production assets	1,051	1,219
Utilities and property taxes	1,090	1,179
Repairs and maintenance	650	865
Fishers' E.I. premiums	561	480
Other	115	(53)
	<u>42,739</u>	<u>46,812</u>
Less: Ending inventory of finished fish products	(4,674)	(7,019)
	<u>38,065</u>	<u>39,793</u>
Gross profit on operations	4,978	3,211
Marketing and administrative expenses		
Salaries and benefits	1,091	1,122
Interest (Note 9)	760	800
Data processing, office and professional services	386	432
Advertising and promotion	202	181
Amortization of administrative assets	185	369
Bad debts	26	8
Meeting fees and expenses	137	57
Other	59	62
	<u>2,846</u>	<u>3,031</u>
Income before provision for final payments to fishers	2,132	180
Provision for final payments to fishers (Note 6)	2,132	180
Net income for the year (Note 10)	-	-
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	<u>\$ 4,153</u>	<u>\$ 4,153</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended April 30, 1998
(in thousands of dollars)

	1998	1997
Cash provided by (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (Deduct) items not affecting cash		
Amortization	1,236	1,588
Loss (Gain) on sale of capital assets	30	(118)
Net changes in non-cash working capital balances relating to operations	3,408	(321)
Cash provided by operations	4,674	1,149
Investing activities		
Additions to capital assets	(422)	(1,185)
Decrease in loan receivable	105	113
Proceeds on sale of capital assets	10	284
Cash used for investing activities	(307)	(788)
Financing activities		
(Decrease) Increase in loans payable	(6,083)	3,531
Cash (used for) provided by financing activities	(6,083)	3,531
Increase (Decrease) in provision for final payments to fishers	1,952	(2,568)
Increase in cash during the year	236	1,324
Bank indebtedness at beginning of year	(57)	(1,381)
Cash (Bank indebtedness) at end of year	\$ 179	\$ (57)

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

April 30, 1998

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the Freshwater Fish Marketing Act for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of north-western Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the Financial Administration Act. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$30 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products and fish by-products.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset category and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included as a component of interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and judgments that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unusable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. ACCOUNTS RECEIVABLE

(in thousands of dollars)	1998	1997
Trade	\$ 3,481	\$ 4,604
Other	146	263
Current portion of loan receivable	-	84
	<u>\$ 3,627</u>	<u>\$ 4,951</u>

4. INVENTORIES

(in thousands of dollars)	1998	1997
Finished fish products	\$ 4,674	\$ 7,019
Packaging material and supplies	1,141	1,096
	<u>\$ 5,815</u>	<u>\$ 8,115</u>

5. CAPITAL ASSETS

(in thousands of dollars)	1998		1997	
	Accumulated Cost Amortization		Net Book Value	Net Book Value
Land	\$ 259	\$ -	\$ 259	\$ 258
Buildings	6,799	4,217	2,582	2,754
Equipment	15,114	12,471	2,643	3,198
Fresh fish delivery tubs	735	308	427	431
Vessels	332	185	147	168
Construction in progress	58	-	58	161
	<u>\$ 23,297</u>	<u>\$ 17,181</u>	<u>\$ 6,116</u>	<u>\$ 6,970</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	1998	1997
Trade	\$ 1,234	\$ 1,442
Other	1,172	1,102
Provision for final payments to fishers	2,132	180
	<u>\$ 4,538</u>	<u>\$ 2,724</u>

7. LOANS PAYABLE

(in thousands of dollars)	1998	1997
Demand loan	\$ -	\$ 112
Promissory note	5,721	5,592
Bankers acceptance	1,400	7,500
	<u>\$ 7,121</u>	<u>\$ 13,204</u>

The promissory note is denominated in U.S. dollars (\$4,000,000), unsecured, repayable in U.S. dollars, bears interest at 6.0% (5.9875% in 1997) and matures on June 23, 1998. The bankers acceptance is unsecured, bears interest at 5.26% (3.5% to 3.63% in 1997) and matures on June 3, 1998.

8. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$632,137 (1997 - \$603,521) to sales agents which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$563,207 (1997 - \$532,982) of commissions paid to foreign sales agents.

9. INTEREST EXPENSE

(in thousands of dollars)

	1998	1997
Interest on loans	\$ 665	\$ 668
Loss on foreign exchange	73	102
Bank charges and other interest	22	30
	<u>\$ 760</u>	<u>\$ 800</u>

10. INCOME TAXES

The Corporation is eligible to deduct for income tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year. At April 30, 1998 the estimate of the excess of undepreciated capital cost over net book value of capital assets amounted to \$1,466,000 (1997 actual - \$2,006,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefit will be realized.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

12. CONTINGENCY

The Corporation is involved in various legal proceedings arising from the normal course of business that have been on-going for a number of years. Although the outcome of these proceedings cannot be determined with certainty, no amounts have been recorded in the financial statements as it is the opinion of management that these proceedings will not have a material adverse effect on the financial position of the corporation. Amounts payable by the corporation, if any, will be recorded in the year which they are determined.

13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

CORPORATE DIRECTORY

BOARD OF DIRECTORS *(at April 30, 1998)*

Sam Murdock
Chairman of the Board
Fisher River, Manitoba

Ron Fewchuk
President and General Manager
Winnipeg, Manitoba

Peter D. Allen
Yellowknife, Northwest Territories

Andrew Bouvier
Ile-à-la Crosse, Saskatchewan

Irvin Constant
The Pas, Manitoba

Ed Isfeld
Winnipeg Beach, Manitoba

William Monkman
Victoria Beach, Manitoba

Gordon McDougall
Ashern, Manitoba

David N.S. McArthur
Lac La Biche, Alberta

Douglas J. Sayers
Sioux Lookout, Ontario

OFFICERS *(at April 30, 1998)*

Ron Fewchuck
President and General Manager
Winnipeg, Manitoba

Tom Dunn
Executive Vice President

Gerald Malone
Vice-President, Marketing

Gabriella Bradics
Controller

Few businesses on earth are more exciting and challenging than the fishing industry - constantly at the mercy of wind and weather and not knowing what products will be available to sell from one week to the next. However, the vast geographic region of our fishery, spanning an area of more than six million square kilometres from Northwestern Ontario through to Alberta and the Northwest Territories, is a key strength our customers recognize about the Corporation. If a fishery in one location comes up empty, fishing is usually good or exceptional in other areas.

Other strengths that inspire confidence among customers are: the scale of the Corporation, our financial stability, our long-standing reputation and the professionalism of our people. Our clients are secure in knowing they are dealing with a reputable supplier: one that meets their requirements year round and stands behind it's price guarantees and product quality.



1199 Plessis Road
Winnipeg Manitoba,
Canada R2C 3L4
Phone (204) 983-6600
Fax (204) 983-6497

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FRESHWATER FISH MARKETING CORPORATION



WORKING TOGETHER
FOR A SUCCESSFUL *FISHERY*



1998-99 ANNUAL REPORT



The Freshwater Fish Marketing Corporation's 1998/99 fiscal year was successful in meeting corporate marketing objectives that resulted in a sales increase of more than \$7 million compared to last year.

LETTER OF TRANSFER FROM CHAIRMAN OF THE BOARD & ACTING PRESIDENT TO MINISTER OF FISHERIES & OCEANS

August 24, 1999

Hon. Herb Dhaliwal
Minister of Fisheries and Oceans
Suite 1570
200 Kent St.
Ottawa, Ontario
K1A 0E6

Dear Mr. Dhaliwal:

I am pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 1999.

The Corporation enjoyed a profitable year with net income of \$5.6 million on sales of \$50.7 million. The net income of \$5.6 million will be distributed to fishers as final payment on their 1998/99 production.

Respectfully,

Sam W. Murdock
Chairman of the Board and Acting President
Fisher River, Manitoba

TABLE OF CONTENTS

CORPORATE PROFILE	PAGE 2
1998/99 STRATEGIES	PAGE 5
Actions to Ensure Effective and Successful Marketing	
Actions to Improve Processing Operations	
Actions to Increase Production	
1998-99 DELIVERY TRENDS	PAGE 10
PRODUCTION, SALES AND FINANCIAL OVERVIEW	PAGE 11
Deliveries in Round Equivalent Weight	
Final Payments	
Ten year Financial Summary	
FINANCIAL STATEMENTS	PAGE 14
Management Report	
Auditor's Report	
Balance Sheet	
Statement of Operations and Retained Earnings	
Statement of Changes in Financial Position	
Notes to Financial Statements	
CORPORATE DIRECTORY	PAGE 21
Board of Directors	
Corporate Officers	

THE FRESHWATER FISH MARKETING CORPORATION provides maximum returns to fishers by guaranteeing and selling high-quality products at the highest possible selling prices, while minimizing packing, processing and administrative costs.

CORPORATE PROFILE



Every year, the Corporation
buys between 14 million
and 23 million kilograms of
fish delivered through 75
lakeside agent-operated
receiving stations.

The Freshwater Fish Marketing Corporation (FFMC) is currently a \$50-million annual operation that functions like a producers' co-operative to buy, process and market high-quality freshwater fish for 2,800 active commercial producers who harvest more than 400 lakes in Northwestern Ontario, Manitoba, Saskatchewan, Alberta, the Northwest Territories and Nunavut. These producers deliver product to the Corporation as its beneficial owners.

On recommendations of The McIvor Royal Commission report, the Freshwater Fish Marketing Corporation was created on February 12, 1969 as a Federal Crown Corporation to serve as an export marketing agency to improve the state of the commercial fishing industry and increase returns to commercial fishers in Western Canada. Complementary provincial legislation was enacted in Ontario, Manitoba, Saskatchewan, Alberta and the Northwest Territories.

Mandate

The Freshwater Fish Marketing Act, Part III, Sec.22 (1) states that the Freshwater Fish Marketing Corporation has:

"... the exclusive right to trade in and market fish in interprovincial and export trade and shall exercise that right, either by itself or by its agents, with the object of:

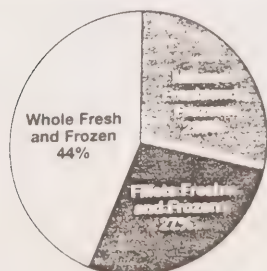
- *Marketing fish in an orderly manner;*
- *Increasing returns to fishermen; and*
- *Promoting international markets for, and increasing interprovincial and export trade in, fish."*

Operations

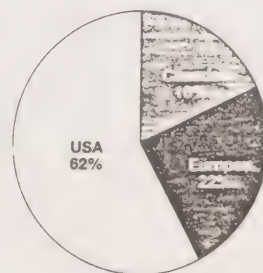
Every year, the Corporation buys between 14 million and 23 million kilograms of fish (round equivalent weight)* delivered through 75 lakeside agent-operated receiving stations. The agents grade, pack, pay for, and transport the catch by road to the Freshwater Fish Marketing Corporation's central processing plant in Winnipeg (Transcona) where it is processed and sold in varied forms: the majority as whole fresh or frozen (44%), and the remainder almost equally split between by minced fresh and frozen (29%) and fresh and frozen fillets (27%).

The Freshwater Fish Marketing Corporation makes worldwide sales either directly through sales staff or through commissioned sales brokers located in major markets. Well over half of sales are made to the United States, almost one quarter to seven countries in Europe and the balance of sales within Canada.

HOW OUR PRODUCTS WERE SOLD IN 1998/99



WHERE OUR PRODUCTS WERE SOLD IN 1998/99



*Round equivalent weight

All weights for fish delivered to FFMC are expressed as if they were for whole unprocessed fish, even though they are shipped in three forms: round (whole), eviscerated with head on (dressed) or eviscerated with head off (headless dressed). Round equivalent weight gives the corporation a more accurate comparison of total annual deliveries, by compensating for fluctuations in the proportions of whole, dressed and headless dressed fish delivered from year to year.



An International Leader for Quality Product and Cost-Effective Operations

The Freshwater Fish Marketing Corporation is known in major North American and European markets as the leading – but not the exclusive – supplier of high-quality freshwater fish products. The Winnipeg (Transcona) processing plant is also recognized as one of the most efficient, up-to-date facilities in the industry.

The Freshwater Fish Marketing Corporation pays all expenses from sales revenues and requires no government grants or operating subsidies. Year after year, the Corporation has, on average, returned more than 60 % of its sales revenue directly to its fishers in initial and final payments.

The Most Effective Approach for Benefiting Western Canadian Fishers

Every independent assessment of corporate operations has concluded the Freshwater Fish Marketing Corporation provides maximum returns to fishers by guaranteeing and selling high-quality products at the highest possible selling prices, while minimizing packing, processing and administrative costs.

Producers benefit considerably from the efficiencies of the well-managed, highly-mechanized and computerized Winnipeg processing and marketing operations where a small staff of around 35 employees administers this large and complex business. This approach ensures the Corporation is competitive in the marketplace while maximizing income to fishers.

As a market-driven organization, the Corporation will continue to focus on producing to meet market demand, maintaining optimum inventory levels and maximizing selling prices.



The Winnipeg processing plant is one of the most efficient, up-to-date facilities in the industry.

The Freshwater Fish Marketing Corporation is known in MAJOR North American and European markets as a LEADING supplier of HIGH-QUALITY freshwater fish products.

THE FRESHWATER FISH MARKETING CORPORATION

is a \$50-million annual operation that buys, processes and markets high-quality freshwater fish for 2,800 active commercial producers who harvest more than 400 lakes in Northwestern Ontario, Manitoba, Saskatchewan, Alberta, the Northwest Territories and Nunavut.



STRATEGIES for 1998/99

ACTIONS TO ENSURE EFFECTIVE AND SUCCESSFUL MARKETING

The Freshwater Fish Marketing Corporation's 1998/99 fiscal year was successful in meeting corporate marketing objectives that resulted in a sales increase of more than \$7 million compared to last year.

The Corporation is currently benefiting from strategies implemented in recent years that bring a greater market-driven focus to its operations. The strategy of better matching production to market requirements is not only resulting in timing the right products for the market when needed, but it is also reducing overhead in cold-storage and carrying costs.

Inventory Control Gives Corporation Better Direction

A strategy of providing improved inventory control is enabling the Corporation to better master its own future, rather than allowing inventories to dictate marketing decisions. This is creating a proactive rather than a reactive marketing approach.

Diversification Key to Maximizing Sales

The Corporation maintains an ongoing objective to maximize revenues. To accomplish that, operations have been diversified to specialize in both fresh and frozen product, tailored to the varied preferences of both North American and European markets.

Whitefish Production Poses Biggest Challenge

The decline in whitefish production throughout the region, particularly on Lake Winnipeg, Great Slave Lake, and South Indian Lake is the greatest immediate- to mid-term challenge facing the Corporation. In spite of increased initial prices for whitefish paid during 1998/99, the Corporation still experienced shortages of all whitefish grades, which requires the Corporation to continually re-evaluate its customer base to optimize the scarce supply of whitefish in the market.

Strong Walleye Markets Rely on Reasonable Prices

The Corporation's dominant position in North American and European pickerel/walleye markets will continue to rely on a strategy of reasonable pricing permitting the consistent movement of product through the system.

Market Development Successfully Moving Rough Fish

A strategy to increase sales of rough fish (carp and mullet) through targeted market development is proving successful, allowing the Corporation to purchase all available supplies. This favourable situation is expected to continue into the foreseeable future.



During the year, the
Freshwater Fish Marketing
Corporation faced a new
product processing challenge
- compliance with stricter
food-safety regulations
that will affect overall
operational procedures.

ACTIONS TO IMPROVE PROCESSING OPERATIONS

The Transcona plant is recognized industry-wide as one of the most cost-efficient in the world, producing a high-quality product at competitive prices to ensure maximum returns to producers.

High Efficiency Provides Little Room for Significant Improvements

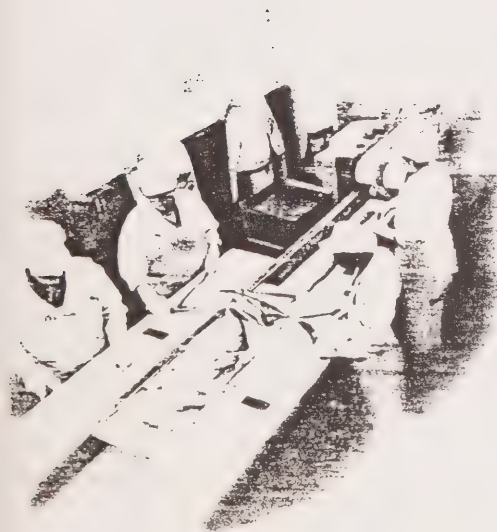
With plant efficiency already very high, little room exists for substantial improvements without compromising quality or delivery. However, fine-tuning of the operation continued to create incremental efficiencies. Any additional improvements will largely have to come from operational sectors such as better use of labor, reducing job-related employee downtime, reducing utility costs, reducing standing inventory, and ensuring equipment reliability and output.

Incremental Operating Improvements Being Made

During 1998/99, the Corporation proceeded with the following specific strategies to improve efficiency:

- Implemented improved methods and new technologies such as improvements to size grading of frozen fillets where new equipment reduced down time and improved accuracy of the final pack weight resulting in less give away.
- Implemented a "just-in-time" ordering and delivery system for machine parts and packaging products in order to reduce standing inventory and related costs.
- Completed job hazard analysis to flag high-risk positions.
- Continued job assignment rotations among employees at risk of repetitive motion injuries.

- Scheduled regular production planning meetings involving production and marketing staff. This provided better cost efficiency by improving product flow and allowing for better staff scheduling.
- Investigated the cost and benefits of measures to reduce sewer-cost surcharges: by reducing Biological Oxygen Demand (BOD) in wastewater; by further reducing water consumption in the plant; and by filtering and recycling more water in the plant.
- Reduced plant electricity consumption: by continuing to upgrade interior and exterior lighting with more energy-efficient equipment; by using the Manitoba Hydro incentive program to replace equipment motors with more energy-efficient models; and by replacing refrigeration compressors and boosters with modern, cost- and energy-efficient units.

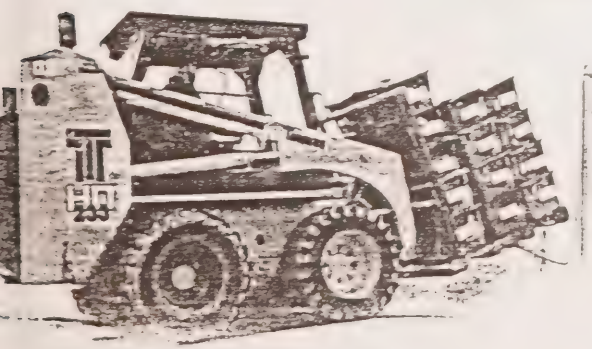


Progress with Strategies to Comply with Stricter Food-safety Regulations

During the year, the Freshwater Fish Marketing Corporation faced a new product processing challenge - compliance with stricter food-safety regulations that will effect overall operational procedures. The Corporation prepared a QMP-R (Quality Management Program - Re-engineered) which included a complete HACCP (Hazard Analysis Critical Control Point) plan for review and approval by the Canadian Food Inspection Agency.

Freshwater Fish Marketing Corporation is the industry leader in Canada in QMP-R implementation.

The implementation of HACCP-based quality-control measures now ensure that all prerequisite requirements, controls, and documentation on sanitation, pest controls, personnel training, and health and safety recalls (with respect to program description, personnel, and monitoring) are in place. The Freshwater Fish Marketing Corporation is the industry leader in Canada in QMP-R implementation.



ACTIONS TO INCREASE PRODUCTION

FFMC's Region can Support Higher Sustainable Fishery

The Freshwater Fish Marketing Corporation is fortunate to operate successfully within the limits of a sustainable fishery in its region. No serious fishery conservation problems exist in the Freshwater region and no impending catastrophic collapses of fisheries seem likely anywhere in the region.

Although the trend through the 1990s has been towards lower total deliveries of fish to the Corporation, many of the fisheries in the Freshwater region are actually under-exploited, providing ample opportunities to restore deliveries to their previous levels.

Several Factors Contribute to Production Declines

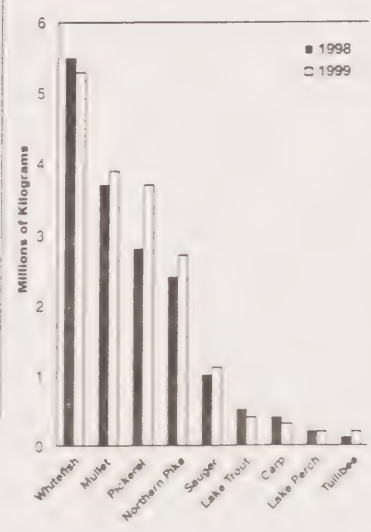
Reasons for lower deliveries vary from location to location, but include:

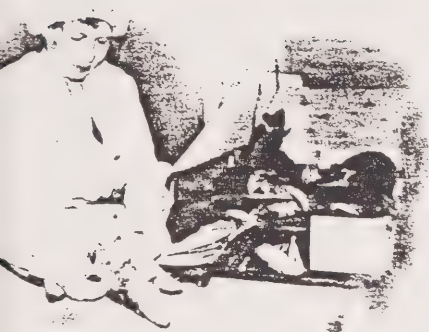
- High transportation costs in remote fisheries
- Reallocation of stocks by fisheries management agencies
- Shifts in fisheries access and licensing policies
- Decline in the level of local organization
- Diversion of more fish to intra-provincial markets
- Prices for some species that have provided inadequate incentives to fishers
- Under capitalization of younger fishers



No serious fishery conservation problems exist in the Freshwater region and no impending catastrophic collapses of fisheries seem likely anywhere in the region.

Production Summary (1998-99)





The Freshwater Fish Marketing Corporation has identified a need to increase fish deliveries over the next five years

Higher Production Needed to Improve Operational Efficiencies and Revenues

The Freshwater Fish Marketing Corporation needs to increase fish deliveries over the next five years for two key reasons. Most important, fish shortages result in foregone revenues when the corporation cannot take advantage of increased sales. Second, with the increasing capital-intensive business of fish processing, improving efficiency and reducing costs rely on fully using the investment in plant and equipment.

Building Stronger Delivery Network Key to Improving Production

The Corporation's Field Operations division implemented several strategies during 1998/99 to address these challenges. Key among these was a concentrated effort to build a stronger delivery network, since experience shows that where lakeside services and support to fishers have declined, so have fish deliveries.

Historically, lakeside services have been provided by local fishers' cooperatives, by private businesses or by the Corporation itself. The Corporation must:

- Ensure fish packing operations become reasonably-attractive business opportunities that are appealing to people with the management skills necessary for success.

- Apply consistent criteria for selecting and replacing its fish purchasing agents.
- Insist that agents provide strong business plans and uphold their contractual obligations.
- Provide incentives for fish packers to improve communications with fishers on fish quality standards, timing of deliveries and credit management.

Coordinating Market Needs with Production

Throughout 1998/99, the Corporation attempted to improve coordination between market requirements and fish production. The right fish delivered at the wrong time can result in slow-moving inventory, whereas the right fish delivered at the right time can move quickly at the best available price and at the lowest cost. Experiments with delivery premiums and other delivery strategies were used with some success to support marketing efforts.

DELIVERY TRENDS for 1998/99

Total fish deliveries for 1998/99 reached 18.2 million kilograms (round equivalent weight), with major species being Whitefish, Pickerel/Sauger, Northern Pike and Mullet (rough fish).

Pickerel and Sauger

With pickerel and sauger being high-value fish, motivating fishers to catch and deliver these species is not difficult. However, since these species are also prized in the sports fishery, they are most affected by recent sports-commercial fish quota allocation trends. They are also the species most likely to be diverted into local markets as fishers capitalize on opportunities for intra-provincial sales.

Pickerel deliveries in 1998/99 were up by 32%, or 900,000 kilograms (round equivalent weight) from the previous year. Deliveries totaled 3.7 million kilograms, slightly above the ten-year average of 3.5 million kilograms per year. This has been the first above average year since 1993.

Sauger deliveries were very similar to last year's at 1.1 million kilograms (round equivalent weight). Annual deliveries of sauger have been below the long-term average for the past five years.

Whitefish

Whitefish has been considered an ongoing marketing challenge for the Freshwater Fish Marketing Corporation. In the past, the Corporation implemented strategies to reduce whitefish deliveries, resulting in prices to fishers remaining stagnant for eight or nine years. This year, the combination of a successful marketing effort and low deliveries put the Corporation in the unusual position of a whitefish shortage.

Although annual whitefish deliveries had reached highs of 9 million kilograms in past years, during the 1990s, annual deliveries averaged only 6 million kilograms. In spite of a mid-year price increase in 1998/99, deliveries continued to drop, resulting in a slight annual decrease of 4% compared to last year. The situation was particularly serious for the export and continental grades of whitefish, whereas cutter whitefish deliveries actually increased slightly in 1998/99.

Northern Pike

Northern pike deliveries of 2.7 million kilograms, increased by about 12%, or 300,000 kilograms (round equivalent weight) compared to the previous year, slightly above the long-term average. This modest success resulted from restructuring initial prices and grading requirements in 1997/98 and 1998/99. However, very strong sales of pike products resulted in a continuing short supply.

Rough Fish

Rough fish (mullet and carp) deliveries of 4.2 million kilograms were up only marginally by 100,000 kilograms, or 2% compared to last year.

The Corporation's rough fish marketing efforts have recently met with considerable success, but the fisheries' response has been delayed. For several years, most of the Corporation's mullet and carp requirement relied on delivery of by-catch (mullet and carp caught along with more popular species) from the gillnet fisheries, but this has proved inadequate to meet increasing demand. Dependence on by-catch yields

neither the volume nor the reliability required to successfully supply the rough fish market. In 1998/99, as an incentive, the Corporation raised mullet prices by \$0.04 per kilogram and dropped the fin-off dressing requirement, however, fishers delivering by-catch have been slow to respond.

Successful rough fish marketing requires a reliable supply. To ensure obligations to customers are met, the Corporation decided to return to operating high-volume spring-run fisheries with producers willing to specialize in these species. This approach also allows the Corporation to continue purchasing by-catch from other fisheries when it is available.

Three months of intensive planning and coordination preceded the spring-run mullet fishery conducted in April 1999. Results were disappointing due to adverse circumstances of dry conditions and lack of run-off in many areas. However, the process established this year will provide a model for organizing spring-run fisheries in the future. With favorable weather, the Corporation's mullet supply problem should be solved.

TEN YEAR FINANCIAL SUMMARY

(Current dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Sales	49.4	52.1	51.3	45.8	38.8	43.7	47.1	43.0	43.0	50.7
Net Income Before Final Payments	2.0	2.2	6.3	6.9	3.3	4.5	2.7	0.2	2.1	5.6
Initial Payments To Fishers	25.0	21.1	29.9	23.2	18.6	24.8	30.3	25.4	22.1	27.9
Net Income Plus Initial Payments To Fishers	27.0	23.3	36.2	30.1	21.9	29.3	33.0	25.6	24.2	33.5
Accounts Receivable - Trade	6.1	5.0	5.7	3.2	3.6	4.2	4.5	4.6	3.4	4.8
Inventory - Finished Fish Products	10.5	1.3	4.9	5.3	2.8	3.5	6.7	7.0	4.7	5.0
Inventory - Packaging Material and Parts	1.5	1.2	1.2	1.1	1.0	0.9	1.1	1.1	1.1	0.8
Capital Assets - Net Book Value	8.8	9.2	8.6	8.0	7.3	7.6	7.5	7.0	6.1	6.3
Loans Payable	21.0	9.9	9.0	6.0	6.6	7.0	11.1	13.2	7.1	5.8
Retained Earnings*	3.3	3.4	3.8	4.0	4.2	4.2	4.2	4.2	4.2	4.2

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduces the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks.



IF THE FRESHWATER FISH MARKETING CORPORATION DID NOT EXIST, WE WOULD HAVE TO INVENT IT.

If not through the FFMC...

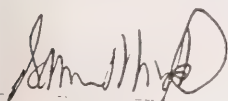
- How would we maintain a stable market?
- How would we keep from competing our prices down to the lowest level?
- How would we assure quality needed to meet market standards?
- How would we sell our fish around the world?
- How would we keep middlemen from eating up our profits?

BALANCE SHEET

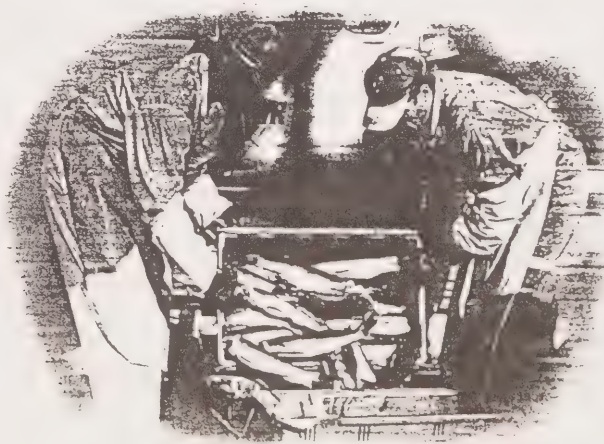
As at April 30, 1999 (in thousands of dollars)		1999	1998
ASSETS			
Current			
Cash		\$ 1,508	\$ 179
Accounts receivable		5,050	3,627
Inventories (Note 3)		5,785	5,815
Prepaid expenses		57	75
		12,400	9,696
Capital assets (Note 4)		6,313	6,116
		\$ 18,713	\$ 15,812
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 3,109	\$ 2,406
Provision for final payments to fishers		5,621	2,132
Loans payable (Note 5)		5,830	7,121
		14,560	11,659
Contingencies (Note 11)			
RETAINED EARNINGS			
Retained earnings		4,153	4,153
		\$ 18,713	\$ 15,812

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director



STATEMENT of OPERATIONS and RETAINED EARNINGS

As at April 30, 1999 (in thousands of dollars)		1999	1998
Operations			
Sales (Note 6)			
Export		\$ 42,467	\$ 36,017
Domestic		8,267	7,026
		50,734	43,043
Cost of sales			
Opening inventory of finished fish products		4,674	7,019
Add: Fish purchases and processing expenses			
Initial payments to fishers	27,228		21,587
Salaries, wages and benefits	5,496		4,904
Packing allowances and agency operating costs	4,175		3,788
Packaging and storage	1,923		1,974
Amortization of production assets	1,074		1,051
Utilities and property taxes	1,208		1,090
Repairs and maintenance	819		650
Fishers' E.I. premiums	682		561
Other	76		115
		47,355	42,739
Less: Ending inventory of finished fish products	(4,998)		(4,674)
		42,357	38,065
Gross profit on operations		8,377	4,978
Marketing and administrative expenses			
Salaries and benefits	1,149		1,091
Interest (Note 7)	617		760
Data processing, office and professional services	408		386
Advertising and promotion	275		202
Amortization of administration assets	141		185
Meeting fees and expenses	153		137
Other	13		85
		2,756	2,846
Income before provision for final payments to fishers		5,621	2,132
Provision for final payments to fishers		5,621	2,132
Net income for the year (Note 8)		-	-
Retained earnings at beginning of the year		4,153	4,153
Retained earnings at end of the year		\$ 4,153	\$ 4,153

The accompanying notes are an integral part of the financial statements.

STATEMENT of CHANGES

IN FINANCIAL POSITION

As at April 30, 1999 (in thousands of dollars)	1999	1998
Cash provided by (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash		
Amortization	1,215	1,236
Loss on sale of capital assets	21	30
Net changes in non-cash working capital balances relating to operations	(673)	3,408
Increase in provision for final payments to fishers	3,489	1,952
Cash provided by operations	4,052	6,626
Investing activities		
Additions to capital assets	(1,507)	(422)
Proceeds on sale of capital assets	75	10
Decrease in loan receivable	-	105
Cash used for investing activities	(1,432)	(307)
Financing activities		
Decrease in loans payable	(1,291)	(6,083)
Cash used for financing activities	(1,291)	(6,083)
Increase in cash during the year	1,329	236
Cash (Bank indebtedness) at beginning of year	179	(57)
Cash at end of year	\$ 1,508	\$ 179

The accompanying notes are an integral part of the financial statements.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$866,389 (1998 - \$632,137) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$776,993 (1998 - \$563,207) of commissions paid to foreign sales agents.

7. INTEREST EXPENSE

	1999	1998
Interest on loans	\$ 550	\$ 665
Loss on foreign exchange	52	73
Bank charges and other interest	15	22
	\$ 617	\$ 760

8. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year. At April 30, 1999 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$2,041,000 (1998 actual - \$2,059,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

9. FOREIGN EXCHANGE CONTRACT

At year-end, the amount outstanding under the U.S. dollar foreign exchange contract totalled the equivalent of approximately \$721,000 Canadian dollars (1998 - none). The foreign exchange contract matures on May 28, 1999.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

11. CONTINGENCIES

(a) The Corporation is involved in various legal proceedings arising from the normal course of business that have been on-going for a number of years. Although the outcome of these proceedings cannot be determined with certainty, no amounts have been recorded in the financial statements as it is the opinion of management that these proceedings will not have a material adverse effect on the financial position of the Corporation. Amounts payable by the Corporation, if any, will be recorded in the year in which they are determined.

(b) Certain employees of the Corporation may be eligible to buy back prior service amounts under the Public Service Superannuation Plan administered by the Government of Canada and receive matching contributions from the Corporation. No amounts have been recorded in the financial statements as any amounts that may be payable by the Corporation cannot be reasonably determined. Amounts payable by the Corporation, if any, will be recorded in the year in which they are determined. It is the opinion of management that these amounts will not have a material adverse effect on the financial position of the Corporation.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. COMPARATIVE FIGURES

Certain 1998 comparative figures have been restated to conform to the financial statement presentation adopted in 1999.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Sam Murdock
Chairman of the Board
Fisher River, Manitoba

Robert T. Kristjanson
Gimli, Manitoba

Irvin Constant
The Pas, Manitoba

Gordon McDougall
Asbern, Manitoba

James R. Favel
Ile a la Crosse, Saskatchewan

Ed Isfeld
Winnipeg Beach, Manitoba

Andrew Bouvier
Ile a la Crosse, Saskatchewan

David McArthur
Lac La Biche, Alberta

Peter D. Allen
Yellowknife, Northwest Territories

Doug Sayers
Sioux Lookout, Ontario

CORPORATE OFFICERS (at April 30, 1999)

Sam Murdock
Acting President

Gabriella Bradics
Chief Financial Officer

Gerry Malone
Vice President, Marketing

Gerry McCurley
Acting General Manager

ANNUAL REPORT



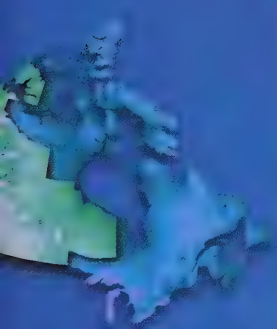
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ANNUAL REPORT

1999-2000

FRESHWATER
FISH
MARKETING
CORPORATION



SERVING CANADA FOR OVER THIRTY YEARS





**LETTER OF TRANSFER FROM CHAIRMAN OF THE BOARD
TO MINISTER OF FISHERIES AND OCEANS**

Honourable Herb Dhaliwal
Government of Canada
Minister of Fisheries and Oceans
Suite 1570
200 Kent St.
Ottawa, Ontario
K1A 0E6

The 1999/2000 fiscal year was the best in the past ten years, with sales of \$54.9 million. The net income of \$4.3 million will be issued as final payment to fishers for their total production during 1999/2000.

Dear Mr. Dhaliwal:

I am pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2000.

This past fiscal year was the best in ten years, with sales of \$54.9 million. The net income of \$4.3 million will be issued as final payment to fishers for their total production during 1999/2000.

I was honoured to serve the Corporation in the capacity of Chairman and Acting President for the first half of the 1999/2000 fiscal year. The national search for a new President and Chief Executive Officer reached a successful conclusion November 1, 1999, with the selection and subsequent appointment of Robert Hand.

Respectfully,

Sam W. Murdock
Chairman of the Board
Fisher River, Manitoba

TABLE OF CONTENTS

CORPORATE PROFILE	PAGE 2
HIGHLIGHTS OF THE FISCAL YEAR	
Financial	PAGE 3
Marketing	PAGE 4
Field Operations	PAGE 5
Processing	PAGE 6
TEN YEAR FINANCIAL SUMMARY	PAGE 7
SPECIES POOLS AND FINAL PAYMENTS	PAGE 8
DELIVERIES AND RETURNS BY SPECIES POOL	PAGE 9-10
FINANCIAL STATEMENTS	
Management's Report	PAGE 11
Auditor's Report	PAGE 12
Balance Sheet	PAGE 13
Statement of Operations and Retained Earnings	PAGE 14
Statement of Cash Flows	PAGE 15
Notes to Financial Statements	PAGE 16-18
CORPORATE DIRECTORY	PAGE 19
Board of Directors	
Corporate Officers	



PRESIDENT'S REPORT

Twenty-five years of domestic and international experience in the fishing industry prepared me well for my appointment as President of the Corporation. My focus and efforts during the latter half of the 1999/2000 fiscal year involved meeting producers, customers, and industry stakeholders where they live and work. Positive liaisons have been established.

A strong Board of Directors and senior management team are in place to effect and strengthen the goals of the Corporation. Important work has begun on the formulation of a corporate strategic plan that will support producers, serve consumers, and consolidate communications.

It is my belief that Freshwater Fish Marketing Corporation has great potential for growth and development. We will continue to improve our service to fishers, fulfilling our mandate to increase returns, while promoting our presence in the international marketplace.

Respectfully,

Robert F. Hand

President and Chief Executive Officer

Winnipeg, Manitoba



CORPORATE PROFILE

The purpose of the Corporation is to purchase all fish offered for sale, to create an orderly market, promote international markets, increase fish trade, and increase returns to fishers.

Freshwater Fish Marketing Corporation, a self-sustaining federal crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The purpose of the Corporation is to purchase all fish offered for sale, to create an orderly market, promote international markets, increase fish trade, and increase returns to fishers. Profits are paid out annually to participating fishers in the form of final payments.

A Board of Directors with a President and Chief Executive Officer govern the Corporation. While all eleven positions on the Board are federal Order-in-Council appointments, five are appointed on recommendation of the appropriate provincial governments. During the 1999/2000 fiscal year, eight of these Directors were fishers, with five being Aboriginal. A senior management team of four assists the President. Forty full-time staff provide administrative support; in addition, there are up to 350 seasonal employees. Forty-six agents grade and purchase fish at seventy-five delivery points. Approximately 2,700 fishers deliver the product, which they harvest from more than 400 lakes in the five provinces.

Freshwater Fish Marketing Corporation has a solid reputation for the reliability, quality and safety of its product. A recognized price leader exercising its right to inter-provincial and international trade and marketing, the Corporation is a dominant player in the U.S. walleye market. It is also the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.

FINANCIAL HIGHLIGHTS

- Sales at \$54.9 million were the highest in 10 years and \$4.1 million or 8% above the prior fiscal year.
- Initial payments to fishers totalled \$34.2 million, which was \$6.2 million or 23% greater than the previous year. In fact, it was a record payout in initial payments to fishers in the history of the Corporation.
- The substantial increase in initial payments was driven mainly by higher volume, particularly for the high-valued pickerel. In addition, there were significant improvements in initial payments related to price increases (notably for whitefish) and incentive premiums (e.g. headless vs. round pickerel).
- Inventory levels and consequently the loan balance were also affected by the increase in deliveries. However, the inventory is costed below market value and will provide improved returns to fishers when marketed in an orderly manner.
- Market prices showed growth for several species with whitefish leading the way. However, there were modest decreases for pickerel and sauger reflecting the higher availability of pickerel, particularly in the fresh market.
- Non-fish cost of sales on a per unit basis was slightly below the previous year, benefiting from the efficiencies of higher throughputs. Marketing and administrative expenses increased with the most significant items related to staff recruitment, higher interest costs and investments for computer system upgrades to become Year 2000 compliant and ready to enter e-business/e-commerce.
- As a result of all the positive and negative factors as noted, the net income for the year came in at \$4.3 million, which was \$1.3 million lower than last year.
- The Board has approved the full payout of net income as final payments in the appropriate species pools.
- These final payments combined with the record total initial payments will reflect one of the most successful years ever for fishers.

Sales at \$54.9 million were the highest in 10 years and \$4.1 million or 8% above the prior fiscal year.

ONE OF THE BEST YEARS EVER
IN PAYOUTS TO FISHERS.



MARKETING HIGHLIGHTS

FFMC plans a concerted effort in the current fiscal year to diversify and launch new product forms, while retaining its status as the product of choice in its markets throughout the world.

Pickereel

- Higher pickerel sales accounted for the majority of the overall 8% increase in annual sales. The pickerel market in Europe was negatively impacted by low cost Eastern European production, causing the Corporation to withdraw partially from the European market and rely more heavily on markets in the United States.
- Lower pickerel production from Lake Erie created additional opportunities for Freshwater Fish in North American markets.

Whitefish

- The markets in Finland remained strong from a pricing perspective.
- Fresh whitefish markets in North America remained strong throughout 1999/2000.
- Prices on frozen whitefish increased in North America throughout 1999/2000.
- Orders from the market continued to outstrip supply.

Sauger

- The German market was weak with respect to prices, due to low cost competition from Eastern Europe.
- The Corporation began promoting sauger sales aggressively in the more lucrative North American marketplace.

Northern Pike

- Pike is primarily sold to France.
- Higher prices overall were received from the marketplace.

Mullet

- Sales were up from previous years.
- The Corporation's two main North American markets (i.e. kosher and deboned) increased significantly.

Freshwater Fish Marketing Corporation's marketing efforts continue to be market-driven. The Corporation had the benefit of a strong North American economy last fiscal year, especially as it impacted the U.S. walleye market. A price leader both in North American and European markets, FFMC plans a concerted effort in the current fiscal year to diversify and launch new product forms, while retaining its status as the product of choice in its markets throughout the world.

SALES SURGE FOR WHITEFISH, PICKEREL
AND MULLET.

FIELD OPERATIONS HIGHLIGHTS

Pickereel

- Deliveries of 4.6 million kilograms* were the highest since 1988, up 24% from last fiscal year.
- This year's deliveries were more than double the low point experienced in 1996/1997.
- Higher initial pickerel prices introduced in 1998 in response to low deliveries were maintained, even though production rose rapidly.

Whitefish

- Initial prices were increased in May 1999 and again at the end of August 1999, in keeping with a growing market for all grades of whitefish.
- Total deliveries were improved compared to 1998/1999; however, the total of 5.6 million kilograms finished below the ten-year average.
- Production of whitefish caviar reached 40 tonnes this year in an expanding market.

Sauger

- Deliveries totalled 1 million kilograms, well below the long-term average of 1.7 over the last ten years. Sauger deliveries from Lake Winnipeg, the major producer, seem to have been displaced by increasing pickerel deliveries.

Northern Pike

- Deliveries showed another gradual increase over last year, continuing a trend that has prevailed since 1995.

Mullet

- This was a record year for mullet deliveries in the Corporation's 31-year history of operation.
- This rough fish success story continued with a rise in deliveries to 5.8 million kilograms, up 49% compared to the 1998/1999 fiscal year.
- Mullet deliveries accounted for over \$1.7 million in returns to fishers this fiscal year.

This year, overall deliveries were up by 3.1 million kg compared to the year before. Total deliveries have risen two years in a row and it is hoped that this is the beginning of a trend toward higher production. This year's total of 21.3 million kg was the best since 1992 for total delivered weight of fish. The fisheries' resource will support higher delivery levels, particularly for whitefish and mullet.

** All references to weights delivered are in round equivalent weights.*

Initial prices for whitefish were increased in May and August 1999 in keeping with a growing market.

TOTAL DELIVERIES WERE AT
THE HIGHEST LEVEL SINCE 1992.

PROCESSING HIGHLIGHTS

The Corporation leads
with a world class
processing facility.

- Considerable time and finances were invested in the development of a Quality Management Program (QMP-R), including a HACCP (Hazard Analysis Critical Control Point) plan, consistent with the requirements of the Canadian Food Inspection Agency.
- A new Sanitation Department was created, enabling the Corporation to train and retain employees as specialists in this vital function.
- The acquisition of a third ammonia freezing tunnel increased peak capacity in excess of 30% for individually quick frozen fillet production.
- New fillet grading equipment enables more accurate packed weights and has improved overall production.
- A system of rotating job assignments was implemented to prevent injuries and stress due to repetitive motion among plant employees.
- A new three-year collective agreement was signed, renewing a productive relationship between management and processing staff.

FRESHWATER FISH MARKETING

CORPORATION HAS A SOLID REPUTATION
FOR THE RELIABILITY, QUALITY AND
SAFETY OF ITS PRODUCT.

TEN YEAR FINANCIAL SUMMARY (1991-2000)

FISCAL YEAR ENDED APRIL 30, 2000 (All amounts in millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Sales	52.1	51.3	45.8	38.8	43.7	47.1	43.0	43.0	50.7	54.9
Net Income Before Final Payments	2.2	6.3	6.9	3.3	4.5	2.7	0.2	2.1	5.6	4.3
Initial Payments To Fishers	21.1	29.9	23.2	18.6	24.8	30.3	25.4	22.1	27.9	34.2
Net Income Plus Initial Payments To Fishers	23.3	36.2	30.1	21.9	29.3	33.0	25.6	24.2	33.5	38.5
Accounts Receivable - Trade	5.0	5.7	3.2	3.6	4.2	4.5	4.6	3.4	4.8	5.8
Inventory - Finished Fish Products	1.3	4.9	5.3	2.8	3.5	6.7	7.0	4.7	5.0	8.8
Inventory - Packaging Material and Parts	1.2	1.2	1.1	1.0	0.9	1.1	1.1	1.1	0.8	0.8
Capital Assets - Net Book Value	9.2	8.6	8.0	7.3	7.6	7.5	7.0	6.1	6.3	6.5
Loans Payable	9.9	9.0	6.0	6.6	7.0	11.1	13.2	7.1	5.8	10.9
Retained Earnings*	3.4	3.8	4.0	4.2	4.2	4.2	4.2	4.2	4.2	4.2

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks.

SPECIES POOLS AND FINAL PAYMENTS

The Freshwater Fish Marketing Act mandates the Corporation to purchase all legally caught fish. The Act entitles the Corporation to establish a method of payment that provides for initial and final payments under a pool system.

Initial prices are generally set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding an amount for contingencies.

The exception to this is when the Corporation is attempting to develop new markets for underutilized species. In such cases, initial prices are set at above market-justified levels for limited quantities to secure production to test new markets.

It is the Corporation's policy that initial prices for all species be set at the highest possible levels to promote a full fishery in all regions. Higher volumes of even the lower value species help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. Most commonly, a temporary premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Auditor General's Office, the Corporation determines final payments by pooling the receipts and cost for each fish species. A final payment is recommended to be made when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results:

IT IS THE CORPORATION'S POLICY THAT INITIAL PRICES FOR ALL SPECIES BE SET AT THE HIGHEST POSSIBLE LEVELS TO PROMOTE A FULL FISHERY IN ALL REGIONS.

DELIVERIES AND RETURNS BY SPECIES POOL

TEN YEAR SUMMARY (1991-2000)

FISCAL YEAR ENDED APRIL 30

Initial and Final Payments - Millions of Dollars (Current Dollars)

Initial Payments - Net of Freight Back-off

Deliveries - round equivalent weight (millions of kilograms)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Pickarel										
Initial Payment	\$6.7	\$9.0	\$8.9	\$6.8	\$8.2	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3
Final Payment	\$0.8	\$5.0	\$4.7	\$2.1	\$3.8	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4
Total Payment	\$7.5	\$14.0	\$13.6	\$8.9	\$12.0	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7
Delivered	3.9	4.4	3.9	3.0	3.0	3.1	2.6	2.8	3.7	4.6
Price/Round Kg.	\$1.92	\$3.18	\$3.49	\$2.97	\$4.00	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28
Sauger										
Initial Payment	\$3.4	\$4.8	\$3.4	\$2.5	\$4.3	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8
Final Payment	\$0.0	\$0.6	\$0.9	\$0.4	\$0.3	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4
Total Payment	\$3.4	\$5.4	\$4.3	\$2.9	\$4.6	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2
Delivered	2.2	2.5	1.9	1.5	1.7	1.3	1.1	1.0	1.1	1.0
Price/ Round Kg.	\$1.55	\$2.16	\$2.26	\$1.93	\$2.71	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20
Whitefish										
Initial Payment	\$4.7	\$5.4	\$3.6	\$3.0	\$6.1	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2
Final Payment	\$0.1	\$0.2	\$0.4	\$0.4	\$0.0	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9
Total Payment	\$4.8	\$5.6	\$4.0	\$3.4	\$6.1	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1
Delivered	6.1	6.6	5.3	5.0	6.3	6.4	6.4	5.5	5.3	5.6
Price/ Round Kg.	\$0.79	\$0.85	\$0.75	\$0.68	\$0.97	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27
Northern Pike										
Initial Payment	\$1.6	\$3.6	\$2.4	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0
Final Payment	\$0.7	\$0.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3
Total Payment	\$2.3	\$3.6	\$2.8	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3
Delivered	2.5	3.2	2.6	2.1	1.9	2.5	2.4	2.4	2.7	2.8
Price/ Round Kg.	\$0.92	\$1.13	\$1.08	\$0.67	\$0.68	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82
Perch										
Initial Payment	\$1.2	\$1.6	\$0.7	\$0.4	\$1.3	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8
Final Payment	\$0.2	\$0.0	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3
Total Payment	\$1.4	\$1.6	\$0.7	\$0.4	\$1.6	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1
Delivered	0.4	0.5	0.3	0.1	0.4	0.5	0.3	0.2	0.2	0.2
Price/ Round Kg.	\$3.50	\$3.20	\$2.33	\$4.00	\$4.00	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50

(Continued on following page)

DELIVERIES AND RETURNS BY SPECIES POOL

TEN YEAR SUMMARY (1991-2000) (continued from previous page)

FISCAL YEAR ENDED APRIL 30

Initial and Final Payments - Millions of Dollars (Current Dollars)

Initial Payments - Net of Freight Back-off

Deliveries - round equivalent weight (millions of kilograms)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Mullet										
Initial Payment	\$0.3	\$1.3	\$0.3	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.3	\$1.3	\$0.3	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7
Delivered	1.0	4.7	0.8	1.1	0.9	3.7	4.7	3.7	3.9	5.8
Price/ Round Kg.	\$0.30	\$0.28	\$0.38	\$0.36	\$0.44	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29
Other										
Initial Payment	\$1.2	\$0.8	\$0.7	\$0.7	\$0.5	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8
Final Payment	\$0.1	\$0.2	\$0.1	\$0.1	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0
Total Payment	\$1.3	\$1.0	\$0.8	\$0.8	\$0.6	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8
Delivered	1.6	1.7	1.1	1.2	1.0	1.2	1.6	1.2	1.3	1.3
Price/ Round Kg.	\$0.81	\$0.59	\$0.73	\$0.67	\$0.60	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62
All Pools										
Initial Payment	\$19.1	\$26.5	\$20.0	\$15.2	\$22.1	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6
Final Payment	\$1.9	\$6.0	\$6.5	\$3.0	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3
Total Payment	\$21.0	\$32.5	\$26.5	\$18.2	\$26.6	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9
Delivered	17.7	23.6	15.9	14.0	15.2	18.7	19.1	16.8	18.2	21.3
Price/ Round Kg.	\$1.19	\$1.38	\$1.67	\$1.30	\$1.75	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69

IMPORTANT WORK HAS BEGUN ON THE FORMULATION OF A CORPORATE STRATEGIC PLAN THAT WILL SUPPORT PRODUCERS, SERVE CONSUMERS, AND CONSOLIDATE COMMUNICATIONS.

FINANCIAL STATEMENTS (April 30, 2000)

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Freshwater Fish Marketing Corporation (the "Corporation") and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices, which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper books and records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board meets regularly with management and the auditors, who have full and free access to the Board.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 21, 2000

FINANCIAL STATEMENTS (April 30, 2000)

AUDITOR'S REPORT

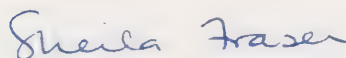
TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 2000 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.



Sheila Fraser, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada

July 21, 2000

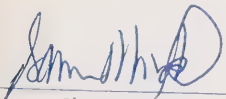
BALANCE SHEET

As at April 30 (in thousands of dollars)

	2000	1999
ASSETS		
Current		
Cash	\$ 33	\$ 1,508
Accounts receivable	6,033	5,050
Inventories (Note 3)	9,596	5,785
Prepaid expenses	57	57
	15,719	12,400
Capital assets (Note 4)	6,520	6,313
	\$ 22,239	\$ 18,713
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,912	\$ 3,109
Provision for final payments to fishers	4,254	5,621
Loans payable (Note 5)	10,920	5,830
	18,086	14,560
Contingencies (Note 10)		
RETAINED EARNINGS		
Retained earnings	4,153	4,153
	\$ 22,239	\$ 18,713

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

<i>For the years ended April 30 (in thousands of dollars)</i>	2000	1999
Operations		
Sales (Note 6)		
Export	\$ 44,068	\$ 42,467
Domestic	10,788	8,267
	54,856	50,734
Cost of sales		
Opening inventory of finished fish products	4,998	4,674
Add fish purchases and processing expenses:		
Initial payments to fishers	33,395	27,228
Salaries, wages and benefits	5,812	5,496
Packing allowances and agency operating costs	4,792	4,175
Packaging and storage	2,475	1,923
Utilities and property taxes	1,294	1,208
Amortization of production assets	1,040	1,074
Repairs and maintenance	796	819
Fishers' E.I. premiums	757	682
Other	391	76
	55,750	47,355
Less ending inventory of finished fish products (Note 3)	(8,791)	(4,998)
	46,959	42,357
Gross profit on operations	7,897	8,377
Marketing and administrative expenses		
Salaries and benefits	1,401	1,149
Interest (Note 7)	797	617
Data processing, office and professional services	610	408
Advertising and promotion	220	275
Amortization of administration assets	287	141
Meeting fees and expenses	253	153
Other	75	13
	3,643	2,756
Income before provision for final payments to fishers	4,254	5,621
Provision for final payments to fishers	4,254	5,621
Net income for the year (Note 8)	-	-
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	\$ 4,153	\$ 4,153

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

<i>For the years ended April 30 (in thousands of dollars)</i>	2000	1999
Cash provided by (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash		
Amortization	1,327	1,215
Loss on sale of capital assets	261	21
Net changes in non-cash working capital		
balances relating to operations	(4,991)	(673)
Increase (decrease) in provision for final payments		
to fishers	(1,367)	3,489
Cash provided by (used for) operations	(4,770)	4,052
Investing activities		
Additions to capital assets	(1,960)	(1,507)
Proceeds on sale of capital assets	165	75
Cash used for investing activities	(1,795)	(1,432)
Financing activities		
Increase (decrease) in loans payable	5,090	(1,291)
Cash provided by (used for) financing activities	5,090	(1,291)
Increase (decrease) in cash during the year	(1,475)	1,329
Cash at beginning of year	1,508	179
Cash at end of year	\$ 33	\$ 1,508

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

April 30, 2000

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the Freshwater Fish Marketing Act for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$30 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

2. SIGNIFICANT ACCOUNTING POLICIES**Inventories**

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

NOTES TO FINANCIAL STATEMENTS

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transactions. Amounts receivable and payable denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rate. Foreign exchange gains and losses are included as a component of interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. INVENTORIES (in thousands of dollars)		2000	1999
Finished fish products		\$ 8,791	\$ 4,998
Packaging material and supplies		805	787
		\$ 9,596	\$ 5,785

4. CAPITAL ASSETS (in thousands of dollars)	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 243	\$ -	\$ 243	\$ 259
Buildings	6,731	4,397	2,334	2,454
Equipment	17,064	13,592	3,472	2,525
Fresh fish delivery tubs	669	312	357	434
Vessels	320	210	110	112
Construction in progress	4	-	4	529
	\$ 25,031	\$ 18,511	\$ 6,520	\$ 6,313

5. LOANS PAYABLE (in thousands of dollars)		2000	1999
Promissory note		\$ 5,920	\$ 5,830
Bankers acceptances		5,000	-
		\$ 10,920	\$ 5,830

The promissory note is denominated in U.S. dollars (\$4,000,000), unsecured, repayable in U.S. dollars, bears interest at 6.45% (5.33% in 1999) and matures on April 28, 2001.

The bankers acceptances are unsecured, bear interest at 5.38% and mature on May 5, 2000.

NOTES TO FINANCIAL STATEMENTS

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$958,088 (1999 - \$866,389) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$874,966 (1999 - \$776,993) of commissions paid to foreign sales agents.

7. INTEREST EXPENSE *(in thousands of dollars)*

Interest on loans

Loss on foreign exchange

Bank charges and other interest

2000**1999**

\$ 641	\$ 550
137	52
19	15
\$ 797	\$ 617

8. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year. At April 30, 2000 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$1,537,000 (1999 actual - \$1,577,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

10. CONTINGENCIES

(a) The Corporation is involved in various legal proceedings arising from the normal course of business that have been ongoing for a number of years. The outcome of these proceedings cannot be determined with certainty, therefore, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these proceedings will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which they are determined.

(b) Certain employees of the Corporation may be eligible to buy back prior service amounts under the Public Service Superannuation Plan administered by the Government of Canada and receive matching contributions from the Corporation. This matter has been referred to arbitration. Accordingly, no amounts have been recorded in the financial statements as any amounts that may be payable by the Corporation cannot be reasonably determined. Amounts payable by the Corporation, if any, will be recorded in the year in which they are determined.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Sam W. Murdock
Chairman of the Board of Directors
Fisher River, Manitoba

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba

Robert T. Kristjanson
Gimli, Manitoba

Irvin Constant
The Pas, Manitoba

Gordon McDougall
Asbern, Manitoba

James R. Favel
Île-à-la-Crosse, Saskatchewan

Ed Isfeld
Winnipeg Beach, Manitoba

Andrew Bouvier
Île-à-la-Crosse, Saskatchewan

David McArthur
Lac-la-Biche, Alberta

Doug Sayers
Sioux Lookout, Ontario

Bert Buckley
Hay River, Northwest Territories

CORPORATE OFFICERS

Sam W. Murdock
Acting President (May – October 31, 1999)

Robert F. Hand
President and Chief Executive Officer
(effective November 1, 1999)
Email: bob.hand@freshwaterfish.com

Gabriella Bradics
Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerry Malone
Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com



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www.freshwaterfish.com



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Date: _____
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ANNUAL REPORT

2000-2001

BUILDING MARKETING STRENGTH

FOR CANADA'S FRESHWATER FISHERS



1

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4

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9

10

11

20

LETTER OF TRANSFER



FROM CHAIRMAN OF THE BOARD TO MINISTER OF FISHERIES AND OCEANS

Honourable Herb Dhaliwal
Government of Canada
Minister of Fisheries and Oceans
Suite 1570 - 200 Kent St.
Ottawa, Ontario K1A 0E6

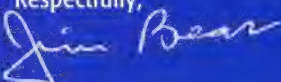
Dear Mr. Dhaliwal:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2001.

The 2000-2001 fiscal year was unprecedented historically with total sales in excess of \$60 million and total payouts to fishers of more than \$40 million.

I would like to take this opportunity to acknowledge outgoing Chairman Sam Murdock, who served the Corporation tirelessly and with distinction from 1995 through January 2001. Sam shaped and led a strong and independent Board of Directors to oversee the Corporation.

I consider my appointment to the Chair of the Corporation's Board of Directors a true honour. In keeping with the goals set out in FFMC's *Strategic Directions*, my time and effort will be devoted to improving communications with fisher stakeholders. I pledge to work closely with the Directors to discover better ways of competing in the global marketplace, to increase returns to fishers and to ensure the continued respect and recognition earned by this Corporation and its producers.

Respectfully,

Jim Bear
Chairman of the Board
Scanterbury, Manitoba

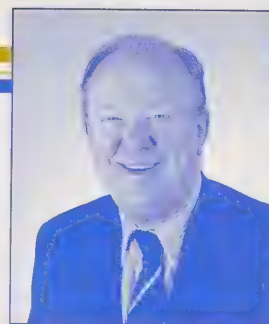
INCREASED PICKEREL DELIVERIES, COMBINED WITH STRONG VOLUMES AND PRICES FOR WHITEFISH, WERE KEY FACTORS GENERATING RECORD SALES.

FRESHWATER FISH
MARKETING
CORPORATION
ANNUAL REPORT

2000-2001



PRESIDENT'S REPORT



On behalf of the Corporation's management and staff, I am pleased to extend best wishes to outgoing Chairman Sam Murdock. Over the past five years, Sam has earned our collective respect through his dedication, integrity and statesmanship.

I am also pleased to welcome incoming Chairman Jim Bear to the Corporation's Board of Directors. Mr. Bear's extensive experience in policy, administration and leadership roles within the Aboriginal community will serve him well as Chairman of FFMC.

The Corporation achieved several important milestones during the 2000-2001 fiscal year. Increased pickerel deliveries, combined with strong volumes and prices for whitefish, were key factors generating record sales. The resulting record payments to fishers challenge us to set the mark even higher for 2001-2002.

Our Strategic Directions planning process culminated with our commitment to three specific goals expressed in a strong mission statement:

"To be the **leading marketer** of freshwater fish products, **respected and recognized** for high-quality, dependable supply, excellent customer value and **increasing returns to fishers**."

We will continue to build on our strengths and opportunities, address our many challenges and improve our service to fisher stakeholders.

Respectfully,

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba

THE CORPORATION'S MANDATE IS: TO PURCHASE ALL FISH OFFERED FOR SALE, TO CREATE AN ORDERLY MARKET, TO PROMOTE INTERNATIONAL MARKETS, TO INCREASE FISH TRADE, AND TO INCREASE RETURNS TO FISHERS.



CORPORATE PROFILE



Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories and part of Northwestern Ontario. The Corporation's mandate is: to purchase all fish offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, govern the Corporation.

All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. A four-member senior management team assists the President and forty full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Forty-six agents grade and purchase fish at 75 delivery points. Approximately 2,760 fishers deliver the product harvested from more than 400 lakes in the five provinces.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its right to inter-provincial and international trade and marketing. It is a dominant player in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.



TOTAL SALES OF \$61.9 MILLION SET A NEW
RECORD FOR THE CORPORATION.

FRESHWATER FISH
MARKETING
CORPORATION
ANNUAL REPORT

2000-2001

HIGHLIGHTS ACCOMPLISHMENTS

MARKETING AND SALES

- Total sales of \$61.9 million set a new record for the Corporation, building on a three-year growth cycle that has produced a cumulative 44% increase.
- Record pickerel deliveries, combined with strong volumes and prices for whitefish and assisted significantly by a favourable exchange rate for the Canadian dollar, produced the record results.
- Year-to-year sales volumes were up 862,000 kilograms, with the largest increase for pickerel.
- Market prices were 11% higher for whitefish, 12% higher for sauger, 5% higher for mullet and 7% higher for lake trout. Pickerel prices were lower by an average of 3%, reflecting more abundant supply.

FISHER RETURNS

- Most significantly, the past fiscal year set a record in total payments to fishers of \$40.7 million (net of freight), an increase of 86% compared to three years ago.
- Total payments to fishers in all provinces served by the Corporation increased over last year: Manitoba by 15%, Saskatchewan

by 6%, Alberta by 7%, Northwest Territories by 10%, and Northwestern Ontario by 168% (although on a very small volume).

COST OF OPERATIONS

- Cost of sales (excluding fish) averaged 2.3% higher per unit. This resulted from extraordinary increases in plant employee benefits, mainly from a newly-mandated increase in the Corporation's contribution to the pension fund.
- Selling and administration expenses rose 6% from the previous year, mostly due to increased advertising and promotion, and amortization of a newly-upgraded management information system.

FINANCIAL ISSUES

- The sharp rise in business volume produced increasing inventory levels and the resulting loan balance. When projections indicated this unexpected growth would cause the Corporation to exceed its approved borrowing limit, a supplementary request for a borrowing limit increase to \$25.0 million was made to, and approved by, Treasury Board.

The loan peaked at \$21.1 million but ended the year at \$12.1 million. The inventory is valued at cost and will provide improved returns to fishers through orderly marketing.

- Net income for the year was \$6.8 million compared to \$4.3 million last year. Most, but not all, of the improvement resulted from the decrease in initial prices for pickerel implemented in August 2000. That precautionary measure was taken to provide the Corporation with flexibility and funding to manage the increased supply in an orderly manner. However, the Corporation was successful in selling a record volume of pickerel with relatively minor promotional costs. As a result, the year ended with a significant surplus in the pickerel pool.
- The Board has approved full payout of net income as a final payment in the appropriate species pools.



STRATEGIC INITIATIVES ARE NON-ROUTINE, CLEARLY
DEFINED ACTIONS OR PROJECTS UNDERTAKEN TO FULFILL
IDENTIFIED CORPORATE GOALS.

STRATEGIC DIRECTIONS

OVERVIEW

The Corporation's Board of Directors created a vision for the future during an intensive two-day session in February 2000 that identified issues and established values and directions for the Corporation's long-term development. With this direction, the management team developed a comprehensive strategic plan that the Board approved in July 2000 for presentation to the federal Minister of Fisheries during his August 28, 2000 visit to Winnipeg. The approved plan includes corporate values, goals and objectives along with a program for implementation, control and continual review. The following corporate mission statement guides the plan:

"TO BE THE LEADING MARKETER OF FRESHWATER FISH PRODUCTS,
RESPECTED AND RECOGNIZED FOR HIGH-QUALITY, DEPENDABLE SUPPLY,
EXCELLENT CUSTOMER VALUE AND INCREASING RETURNS TO FISHERS."

Since approval, the Corporation has communicated the plan to all stakeholders through conference and meeting presentations, a brochure, and a redesigned website.

With the strategic framework in place, the dynamic process of implementation began using strategic initiatives. These initiatives are non-routine, clearly defined actions or projects undertaken to fulfill identified corporate goals. They allow planned change and adaptation to new directions while maintaining a focus on strategic objectives. Each initiative has a project champion, budget and implementation timetable, along with measurable results for evaluating performance. Although the 2000-2001 fiscal year was well underway before the strategic process began, definite progress was made towards fulfilling each of the three goals identified:

- Sustaining Market Leadership
- Generating Increasing Returns to Fishers and Communities
- Earning Respect and Recognition

Following is a summary of initiatives and progress for each of the three key objectives.



1. SUSTAINING MARKET LEADERSHIP

Our goal is to be the supplier of choice in the markets we serve, based on quality, service and reliability by:

- Continually improving quality and reliability of supply
- Developing innovative products and services
- Securing and expanding the highest-value markets
- Seeking out win-win strategic alliances
- Establishing marketing benchmarks to continually measure performance

INITIATIVES

1. Marketing Strategy to Ensure Stability in the Pickerel/Walleye Market

- Promote positive attributes of FFMC pickerel/walleye to maintain market leadership

2. Product Development

- Assess the current product forms
- Identify potential new product forms for established species
- Research market opportunities for lake trout and burbot
- Evaluate packaging alternatives

3. Product Quality and Safety Enhancement

- Ongoing training in processing plant
- Improve workmanship of finished products
- Develop in-house analytical abilities

4. Benchmarking Marketing Performance

- Design and implement relevant benchmarks pertaining to pricing trends and customer satisfaction

PROGRESS HIGHLIGHTS

- Completed research in eastern Europe to investigate the challenge of competitive supply in our walleye markets
- Conducted a walleye/pickerel workshop to develop broad marketing concepts and involve our North American customers in creative solutions
- Undertook market research to differentiate and promote walleye/pickerel
- Developed three new products: "pickerel fingers", one-pound retail fillet pack, and carp roe
- Initiated customer satisfaction surveys
- Introduced a four-hour, new-employee orientation program that covers food handling, personal hygiene, health and safety
- Established a new Quality Assurance laboratory to perform bacteriological inspections that maintain high standards

THE PAST FISCAL YEAR SET A RECORD IN TOTAL PAYMENTS TO FISHERS OF \$40.7 MILLION,
AN INCREASE OF 86% COMPARED TO THREE YEARS AGO.

GENERATING INCREASING RETURNS TO FISHERS

Our goal is to continually increase total annual payments to fishers thereby enhancing the benefits to them and their communities by:

- Developing markets for all commercially exploitable species
- Improving the match of product, supply and market
- Advocating increased, sustainable access to fish stocks
- Reducing operating costs

INITIATIVES

1. Longer-Range Operational Planning

- Anticipate changes in deliveries and sales trends, ensuring products match market demand

2. Economic Recovery from Waste Products

- Reduce waste stream and disposal costs
- Increase revenue from by-products

3. Review the Agency System

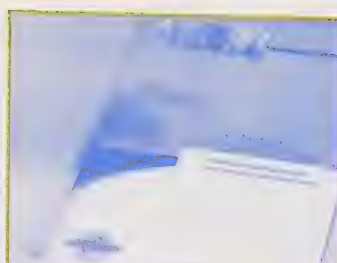
- Address issues of cost, standards of performance, consistency and accountability
- Emphasize a cost-effective approach to agency packing and administrative fees

4. Rationalization of Incoming Fish Freight

- Control fishers' freight costs in face of upward cost pressure
- Encourage competitive proposals

PROGRESS HIGHLIGHTS

- A rolling 12-month forecast was instituted for tracking deliveries, sales and inventories
- Potential buyers for ground, block-frozen fish scrap were contacted
- A comprehensive review of the agency and delivery system was carried out and recommendations adopted for a procedure for: selecting and replacing agents, providing new standards of service for fishers, and new standards for accountability
- A new Agency Agreement contract was prepared based on the comprehensive review
- A workshop with selected agents was conducted to help implement the new business relationship with agents
- An organized bidding process was established to obtain competitive proposals for incoming fish hauls



3. EARNING RESPECT AND RECOGNITION

Our goal is to earn support for the Corporation's mandate from a majority of the commercial fishers we serve by:

- Validating the mandate of the organization
- Securing input from stakeholders on policy direction
- Establishing open and accessible communications links to stakeholders
- Optimizing the development of physical and human resources

INITIATIVES

1. Communications Strategy

- Establish more open, balanced and accessible communications with all stakeholders

2. Fishers' Profile

- Develop a deeper understanding of the interests of fisher stakeholders needed for the renewal of the corporate mandate
- Collect vital current information on demographics and socio-economic conditions in the fishery

3. Employee Relations

- Include, inform and consult employees at all levels

4. Consultation Protocol

- Establish procedures to involve fishers in major policy decisions

5. Management Development

- Optimize the organization for strategic growth and development

6. Community Development Proponents

- Assist in the evaluation of initiatives to provide greater benefits to communities, consistent with maintaining or increasing returns to fishers

PROGRESS HIGHLIGHTS

- Dialogue with stakeholders was achieved through regional field visits with fishers, conference presentations, and numerous communication meetings with government and community leaders
- Strategic Directions were communicated through presentations and a brochure
- Quarterly Reports of corporate performance were produced and widely distributed
- The Corporation's website was redesigned and updated
- The organization was enhanced by significant improvements in the Human Resource function
- Service to fishers was strengthened with key staff additions in Field Operations
- Participation on the Leaf Rapids Task Force and discussions with other communities regarding assistance with regional projects



TEN YEAR FINANCIAL SUMMARY

FISCAL YEAR ENDED APRIL 30, 2001 (in millions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Sales	\$51.3	\$45.8	\$38.8	\$43.7	\$47.1	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9
Net Income Before Final Payments	\$6.3	\$6.9	\$3.3	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8
Initial Payments To Fishers	\$29.9	\$23.2	\$18.6	\$24.8	\$30.3	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7
Net Income Plus Initial Payments To Fishers	\$36.2	\$30.1	\$21.9	\$29.3	\$33.0	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5
Accounts Receivable - Trade	\$5.7	\$3.2	\$3.6	\$4.2	\$4.5	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3
Inventory - Finished Fish Products	\$4.9	\$5.3	\$2.8	\$3.5	\$6.7	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2
Inventory - Packaging Material and Parts	\$1.2	\$1.1	\$1.0	\$0.9	\$1.1	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9
Capital Assets - Net Book Value	\$8.6	\$8.0	\$7.3	\$7.6	\$7.5	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2
Loans Payable	\$9.0	\$6.0	\$6.6	\$7.0	\$11.1	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1
Retained Earnings*	\$3.8	\$4.0	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks.

THE CORPORATION'S POLICY IS TO SET INITIAL PRICES FOR ALL SPECIES
AT THE HIGHEST POSSIBLE LEVELS TO PROMOTE A FULL FISHERY IN ALL REGIONS.

FRESHWATER FISH
MARKETING
CORPORATION
ANNUAL REPORT

2000-2001



HOW FISHERS ARE PAID

The Freshwater Fish Marketing Act mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. A pricing exception is exercised when the Corporation is developing new markets for under-utilized species. Then, initial prices are set at above-justified levels for limited quantities to secure production for testing new markets.

The Corporation's policy is to set initial prices for all species at the highest possible levels to promote a full fishery in all regions. Higher volumes generally, including lower-value species,

help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. Most commonly, a temporary premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Auditor's Office, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table (page 10) provides a ten-year history of pool results.

PRODUCT DELIVERIES AND FINANCIAL RETURNS TO FISHERS BY SPECIES

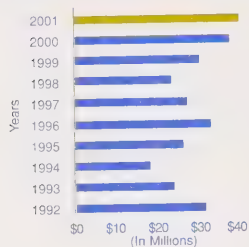
TEN YEAR SUMMARY (1992-2001) FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of Dollars (Current Dollars)

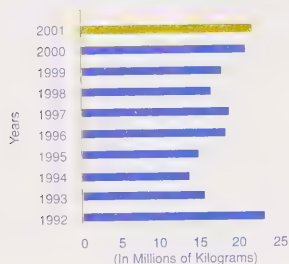
* Delivered Weight - Round Equivalent Weight (millions of kilograms)

** Initial Payments - Net of Freight

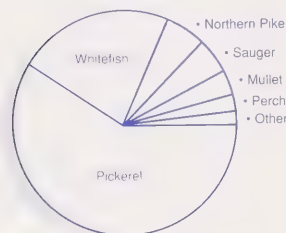
All Pools - Total Payment (1992-2001)



All Pools - Delivered Weight (1992-2001)

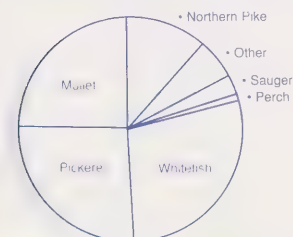


Total Payment by Species (2000-2001)



Total payment of all pools \$40.6 million

Delivered Weight* by Species (2000-2001)



Delivered weight of all pools 22.3 million Kilograms

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Pickerel										
Delivered weight*	4.4	3.9	3.0	3.0	3.1	2.6	2.8	3.7	4.6	5.7
Initial Payment**	\$9.0	\$8.9	\$6.8	\$8.2	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6
Final Payment	\$5.0	\$4.7	\$2.1	\$3.8	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3
Total Payment	\$14.0	\$13.6	\$8.9	\$12.0	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9
Price/Round Kg.	\$3.18	\$3.49	\$2.97	\$4.00	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19

Whitefish										
Delivered weight*	6.6	5.3	5.0	6.3	6.4	6.4	5.5	5.3	5.6	6.5
Initial Payment**	\$5.4	\$3.6	\$3.0	\$6.1	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8
Final Payment	\$0.2	\$0.4	\$0.4	\$0.0	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5
Total Payment	\$5.6	\$4.0	\$3.4	\$6.1	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3
Price/Round Kg.	\$0.85	\$0.75	\$0.68	\$0.97	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43

Northern Pike										
Delivered weight*	3.2	2.6	2.1	1.9	2.5	2.4	2.4	2.7	2.8	2.6
Initial Payment**	\$3.6	\$2.4	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9
Final Payment	\$0.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3
Total Payment	\$3.6	\$2.8	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2
Price/Round Kg.	\$1.13	\$1.08	\$0.67	\$0.68	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85

Sauger										
Delivered weight*	2.5	1.9	1.5	1.7	1.3	1.1	1.0	1.1	1.0	0.6
Initial Payment**	\$4.8	\$3.4	\$2.5	\$4.3	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6
Final Payment	\$0.6	\$0.9	\$0.4	\$0.3	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4
Total Payment	\$5.4	\$4.3	\$2.9	\$4.6	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0
Price/Round Kg.	\$2.16	\$2.26	\$1.93	\$2.71	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33

Mullet										
Delivered weight*	4.7	0.8	1.1	0.9	3.7	4.7	3.7	3.9	5.8	5.4
Initial Payment**	\$1.3	\$0.3	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.3	\$0.3	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5
Price/Round Kg.	\$0.28	\$0.38	\$0.36	\$0.44	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28

Perch										
Delivered weight*	0.5	0.3	0.1	0.4	0.5	0.3	0.2	0.2	0.2	0.2
Initial Payment**	\$1.6	\$0.7	\$0.4	\$1.3	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6
Final Payment	\$0.0	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3
Total Payment	\$1.6	\$0.7	\$0.4	\$1.6	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9
Price/Round Kg.	\$3.20	\$2.33	\$4.00	\$4.00	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50

Other										
Delivered weight*	1.7	1.1	1.2	1.0	1.2	1.6	1.2	1.3	1.3	1.3
Initial Payment**	\$0.8	\$0.7	\$0.7	\$0.5	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8
Final Payment	\$0.2	\$0.1	\$0.1	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.0	\$0.8	\$0.8	\$0.6	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8
Price/Round Kg.	\$0.59	\$0.73	\$0.67	\$0.60	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62

All Pools										
Delivered weight*	23.6	15.9	14.0	15.2	18.7	19.1	16.8	18.2	21.3	22.3
Initial Payment**	\$26.5	\$20.0	\$15.2	\$22.1	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8
Final Payment	\$6.0	\$6.5	\$3.0	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8
Total Payment	\$32.5	\$26.5	\$18.2	\$26.6	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6
Price/Round Kg.	\$1.38	\$1.67	\$1.30	\$1.75	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82

April 30, 2001

FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Freshwater Fish Marketing Corporation (the "Corporation") and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices, which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper books and records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly with management and the auditors, who have full and free access to the Board.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 13, 2001

AUDITOR'S REPORT

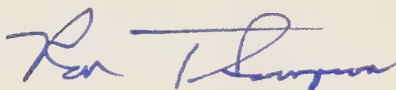
TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 2001 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.



Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada

July 13, 2001

2000-2001

BALANCE SHEET

As at April 30, 2001 (in thousands of dollars)

ASSETS

Current

Cash	\$ 745	\$ 33
Accounts receivable	6,529	6,033
Inventories (Note 3)	13,147	9,596
Prepaid expenses	281	57

20,702 15,719

Capital assets (Note 4)

6,194 6,520

\$ 26,896 \$ 22,239

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 3,822	\$ 2,912
Provision for final payments to fishers	6,775	4,254
Loans payable (Note 5)	12,146	10,920
	22,743	18,086

Contingencies (Note 11)

RETAINED EARNINGS

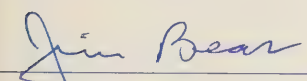
Retained earnings

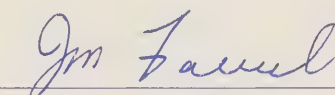
4,153 4,153

\$ 26,896 \$ 22,239

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

<i>For the Year Ended April 30, 2001 (in thousands of dollars)</i>	2001	2000
Operations		
Sales (Note 6)		
Export	\$ 48,469	\$ 44,068
Domestic	13,445	10,788
	<u>61,914</u>	<u>54,856</u>
Cost of sales		
Opening inventory of finished fish products	8,791	4,998
Add fish purchases and processing expenses:		
Initial payments to fishers	36,677	34,152
Salaries, wages and benefits (Note 7)	6,867	5,812
Packing allowances and agency operating costs	5,341	4,792
Packaging and storage	2,694	2,475
Utilities and property taxes	1,265	1,294
Amortization of production assets	1,071	1,040
Repairs and maintenance	706	796
Other	90	391
	<u>63,502</u>	<u>55,750</u>
Less ending inventory of finished fish products (Note 3)	<u>(12,209)</u>	<u>(8,791)</u>
	<u>51,293</u>	<u>46,959</u>
Gross profit on operations	<u>10,621</u>	<u>7,897</u>
Marketing and administrative expenses		
Salaries and benefits (Note 7)	1,503	1,401
Interest (Note 8)	735	797
Data processing, office and professional services	546	610
Advertising and promotion	295	220
Amortization of administration assets	397	287
Meeting fees and expenses	209	253
Other	161	75
	<u>3,846</u>	<u>3,643</u>
Income before provision for final payments to fishers	<u>6,775</u>	<u>4,254</u>
Provision for final payments to fishers	<u>6,775</u>	<u>4,254</u>
Net income for the year (Note 9)	<u>-</u>	<u>-</u>
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	<u>\$ 4,153</u>	<u>\$ 4,153</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2001 (in thousands of dollars)

	2001	2000
Cash provided by (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash		
Amortization	1,468	1,327
(Gain) loss on sale of capital assets	(34)	261
Net changes in non-cash working capital		
balances relating to operations	(3,361)	(4,991)
Increase (decrease) in provision for final payments		
to fishers	2,521	(1,367)
Cash provided by (used for) operations	594	(4,770)
Investing activities		
Additions to capital assets	(1,183)	(1,960)
Proceeds on sale of capital assets	75	165
Cash used for investing activities	(1,108)	(1,795)
Financing activities		
Increase in loans payable	1,226	5,090
Cash provided by (used for) financing activities	1,226	5,090
Increase (decrease) in cash during the year	712	(1,475)
Cash at beginning of year	33	1,508
Cash at end of year	\$ 745	\$ 33

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

April 30, 2001

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$30 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

NOTES TO FINANCIAL STATEMENTS

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transactions. Amounts receivable and payable denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rate. Foreign exchange gains and losses are included as a component of interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation are both required to contribute to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Use of Estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. INVENTORIES (in thousands of dollars)

	2001	2000
Finished fish products	\$ 12,209	\$ 8,791
Packaging material and supplies	938	805
	<u>\$ 13,147</u>	<u>\$ 9,596</u>

4. CAPITAL ASSETS (in thousands of dollars)

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 243	\$ -	\$ 243	\$ 243
Buildings	6,954	4,655	2,299	2,334
Equipment	16,940	13,911	3,029	3,472
Fresh fish delivery tubs	734	347	387	357
Vessels	269	191	78	110
Construction in progress	158	-	158	4
	<u>\$ 25,298</u>	<u>\$ 19,104</u>	<u>\$ 6,194</u>	<u>\$ 6,520</u>

5. LOANS PAYABLE (in thousands of dollars)

	2001	2000
Promissory note	\$ 6,146	\$ 5,920
Bankers acceptances	6,000	5,000
	<u>\$ 12,146</u>	<u>\$ 10,920</u>

The promissory note is denominated in U.S. dollars (\$4,000,000), unsecured, repayable in U.S. dollars, bears interest at 4.67% (2000 - 6.45%) and matures on April 30, 2002.

The bankers acceptances are unsecured, bear interest at 4.75% (2000 - 5.38%) and mature on May 4, 2001.

NOTES TO FINANCIAL STATEMENTS

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$985,367 (2000 - \$958,088) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$908,501 (2000 - \$874,966) of commissions paid to foreign sales agents.

7. PENSION PLAN

The Corporation's share of the total contributions paid to the employee pension plan for the current year was \$499,652 (2000 - \$226,767).

8. INTEREST EXPENSE (in thousands of dollars)

Interest on loans
Loss on foreign exchange
Bank charges and other interest

2001	2000
\$ 1,020	\$ 641
(328)	137
43	19
\$ 735	\$ 797

9. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year. At April 30, 2001 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$2,033,000 (2000 actual - \$2,048,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

NOTES TO FINANCIAL STATEMENTS

11. CONTINGENCIES

(a) The Corporation is involved in various legal proceedings arising from the normal course of business that have been ongoing for a number of years. The outcome of these proceedings cannot be determined with certainty, therefore, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these proceedings will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which they are determined.

(b) Certain employees of the Corporation may be eligible to buy back prior service amounts under the Public Service Superannuation Plan administered by the Government of Canada and receive matching contributions from the Corporation. This matter has been referred to arbitration. Accordingly, no amounts have been recorded in the financial statements as any amounts that may be payable by the Corporation cannot be reasonably determined. Amounts payable by the Corporation, if any, will be recorded in the year in which they are determined.

12. COMPARATIVE FIGURES

Some of the 2000 comparative figures were reclassified to conform to the presentation adopted in 2001.



BOARD MEMBERS EXERCISED THEIR LIAISON ROLE WITH ALL LEVELS OF GOVERNMENT AND FISHER-ASSOCIATION STAKEHOLDERS BY ATTENDING NUMEROUS PRIVATE AND PUBLIC MEETINGS, CONFERENCES AND INFORMATION SESSIONS IN THE PROVINCES AND COMMUNITIES THEY REPRESENT.

CORPORATE GOVERNANCE

A Board of eleven directors, including the President and Chief Executive Officer, governs Freshwater Fish Marketing Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2000-2001 fiscal year, eight Directors were fishers and five were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. Moreover, it is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

During the 2000-2001 fiscal year, Board members exercised their liaison role with all levels of government and fisher-association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent.

The Corporation's Board met six times in Winnipeg in the 2000-2001 fiscal year. In July 2000, following an intensive strategic planning session, the Board approved its Strategic Directions mission statement, mandate, goals and objectives as part of its long-term vision for corporate growth and development. Fisheries and Oceans Minister Herb Dhaliwal met with the Board at its August 2000 meeting, which included a presentation of the Strategic Directions plan.

A majority of Board Directors also attended the October 2000 Western Commercial Fisheries Conference in Winnipeg, where a panel comprised of Chairman Sam Murdock, the Corporation's President and senior management made a formal presentation of the Strategic Directions and other corporate activities. In February 2001, a Board member was a key participant in a two-day workshop organized by senior management as a brainstorming session to devise competitive marketing strategies for walleye/pickereel. The April 2001 Board meeting included a half-day information session/workshop on Crown corporation governance conducted by two Treasury Board officials from Ottawa.

BOARD OF DIRECTORS



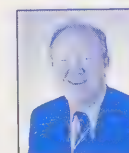
Jim Bear

Chairman of the Board (effective January 2001)
Scatterbury, Manitoba
Occupation: Political Advisor
Southeast Tribal Council



Sam W. Murdock

Immediate Past Chairman of the Board (1995 - 2000)
Acting President and CEO (January 1998 - October 1999)
Fisher River, Manitoba
Occupation: Fisher



Robert F. Hand

President and Chief Executive Officer
Winnipeg, Manitoba



Andrew Bouvier

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Service on FFMC Board: 7 years

CORPORATE Officers

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher
Service on FFMC Board: 2 years



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Service on FFMC Board: 5 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Service on FFMC Board: 2.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Service on FFMC Board: 11 years



Robert T. Kristjanson

Gimli, Manitoba
Occupation: Fisher
Service on FFMC Board: 3 years



David McArthur

Lac-la-Biche, Alberta
Occupation: Executive Director
Alberta Commercial Fishermen's Association
Service on FFMC Board: 20 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Service on FFMC Board: 5 years



Doug Sayers

Sioux Lookout, Ontario
Occupation: Retired Civil Servant
Ministry of Natural Resources
Service on FFMC Board: 14 years



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www.freshwaterfish.com

FRESHWATER FISH MARKETING CORPORATION



ANNUAL REPORT
2001-2002

BUILDING MARKETING
STRENGTH FOR CANADA'S
FRESHWATER FISHERS

CONTENTS

Page 3	President's Report
Page 4	Corporate Profile
Page 5	Highlights & Accomplishments
Page 6	Strategic Directions
Page 10	Ten Year Financial Summary
Page 11	How Fishers Are Paid
Page 12	Product Deliveries & Financial Returns to Fishers By Species
Page 13	Financial Statements
Page 22	Corporate Governance

TRANSFER

FROM CHAIRMAN OF THE BOARD OF DIRECTORS
TO MINISTER OF FISHERIES AND OCEANS

Honourable Robert Thibault
Government of Canada
Minister of Fisheries and Oceans
Suite 1570
200 Kent Street
Ottawa, Ontario
K1A 0E6



Dear Mr. Thibault:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2002.

The 2001-2002 fiscal year continued the consistent upward movement of the past four years, with new record sales of \$68 million (10% higher than the previous record set last year) and total payments to fishers of \$43 million.

I would like to take this opportunity to thank Board member Doug Sayers for fifteen years of dedicated service to the Corporation, and wish him well as he officially begins his retirement.

The Board of Directors and senior management have worked diligently to improve the Corporation's service and ensure satisfaction for fisher stakeholders. Our presence is strong and growing in the global marketplace.

Respectfully,

Jim Bear

Chairman of the Board
Scanterbury, Manitoba



president's REPORT



...our Corporation survived the negative economic impact and surpassed the mark set last year for total sales.

The past fiscal year has been an eventful one for the Corporation. While the aftermath of September 11, 2001 reverberated around the world, our Corporation survived the negative economic impact and surpassed the mark set last year for total sales.

This was achieved as a result of above-average catches for most species, particularly perch, coupled with strong markets for pickerel and sauger. The latter offset a significant weakness in the fresh whitefish market caused by abundant supply from competitive sources.

FFMC continues to lead the world in the marketing of freshwater fish products, with a proven track record for increasing returns to fishers. We are proud to be respected and recognized for high-quality and dependable supply, providing excellent value to our customers.

Respectfully,

A handwritten signature in dark ink that reads "Robert F. Hand". The signature is fluid and cursive.

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba



corporate PROFILE

The Corporation's mandate is to purchase all fish offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers.



Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.



The Board of Directors, with the President and Chief Executive Officer, govern the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating governments. A four-member senior management team assists the President and forty full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Thirty-eight contracted agents and three corporate agencies grade and purchase fish at seventy-five delivery points. Approximately 2,700 fishers deliver the product harvested from more than 400 lakes in the region.



Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to inter-provincial and international trade and marketing. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.



highlights & ACCOMPLISHMENTS

MARKETING AND SALES

- Total sales reached \$68.2 million, 10% higher than the previous record set only last year. This has been the fourth consecutive year of steady growth in sales.
- Pickerel led a strong sales performance. The sales volume rose by 4% while average market prices were up 5% compared to 2000-2001. Careful inventory management resulted in some of last year's record pickerel catch being marketed during this fiscal year.

FISHER RETURNS

- Total payments to fishers (net of freight) at \$40.6 million were identical to the record set last year. However, there were significant variances from last year by species and consequently, by region.
- Sauger fishers benefited from a small increase in deliveries and strong regional markets and their total returns were 45% higher than the previous year. Perch fishers enjoyed their highest returns in many years as the result of an unexpected surge in catches during the winter fishery.
- An increase in the "other" category was mainly the result of increased purchases of carp and carp roe, to fill new markets. For the first time in the history of the Corporation, carp producers will receive a final payment.
- Pickerel total returns were 5% off last year's historic high but this decrease was not as great as the 11% decline in deliveries. Strong markets and sales from inventory helped offset the shortfall in catch.
- More significantly, whitefish fishers experienced their first decline (15%) in total payments in four years in spite of a 5% increase in deliveries. This was due to a substantial decrease in sales volumes and prices in the fresh market resulting from

ample competitive supply and a soft U.S. economy during the crucial fall and winter seasons.

- The year-over-year decline in whitefish returns was the primary reason why total returns to all fishers did not keep pace with the 10% increase in total sales. It also explains why the regions that depend heavily on whitefish showed a drop in total returns, i.e. Northwest Territories (down 9%) and Alberta (down 8%), while Manitoba, with greater sauger and perch deliveries, posted a 1% gain and Saskatchewan fishers realized a 3% increase based on higher pickerel deliveries.

COST OF SALES

- Overall cost of sales (other than fish purchases) was \$6.1 million higher than the previous year. Of this, \$4.8 million was due to changes in opening and ending inventories this year versus last year. The balance of \$1.3 million came from increases in the cost of operations. The main factors were: labour rates increased under the terms of the collective agreement; there were shifts in species/product mix and higher costs for new product development; cold storage costs increased with the volume of inventory; and utility expenses (natural gas) were significantly higher through the year.
- Marketing and administrative expenses were up 7%, mainly as the result of a reclassification of certain salaries and benefits, previously charged to processing expense.

FINANCIAL ISSUES

- The net income of \$7.4 million was 9% higher than last year. The Board has approved full payout of net income as final payments in the appropriate species pools.

Total sales reached \$68.2 million... This has been the fourth consecutive year of steady growth in sales.



strategic directions

OVERVIEW

Strategic initiatives are non-routine, clearly defined actions or projects undertaken to fulfill identified corporate goals.

BACKGROUND

The Corporation's Board of Directors created a vision for the future during an intensive two-day session in February 2000 that identified issues and established values and directions for the Corporation's long-term development. With this direction, the management team developed a comprehensive strategic plan that the Board approved in July 2000 for presentation to the federal Minister of Fisheries on August 28, 2000. The approved plan includes corporate values, mission, and goals, along with a program for implementation, control, and continual review. The corporate mission statement guides the plan:

OUR MISSION

"To be the leading marketer of freshwater fish products, respected and recognized for high-quality, dependable supply, excellent customer value and increasing returns to fishers."

The Corporation has communicated this plan to all stakeholders through conference and meeting presentations, a brochure, a re-designed website, and a series of six posters released bi-monthly and directed at participating fishers.

With the strategic framework in place, the dynamic process of implementation began using strategic initiatives. These initiatives are non-routine, clearly defined actions or projects undertaken to fulfill identified corporate goals. They allow planned change and adaptation to new trends while maintaining a focus on strategic objectives. Each initiative has a project champion, budget and implementation timetable, along with measurable results for evaluating performance.

The 2001-2002 fiscal year was the first full year completed in the Strategic Directions program. Following is a summary of progress achieved on specific initiatives, relative to each of the three key strategic goals:

Sustaining Market Leadership

Generating Increasing Returns to Fishers and Communities

Earning Respect and Recognition



strategic directions

SUSTAINING MARKET LEADERSHIP

Our goal is to be the supplier of choice in the markets we serve, based on quality, service and reliability by:

- Continually improving quality and reliability of supply
- Developing innovative products and services
- Securing and expanding the highest-value markets
- Seeking out win-win strategic alliances
- Establishing marketing benchmarks to continually measure performance

STRATEGIC INITIATIVES	PROGRESS HIGHLIGHTS
<ul style="list-style-type: none">• Benchmarking• Product Differentiation• New Market / Product Development	<ul style="list-style-type: none">✓ A Corporation record for total sales was achieved in a difficult economic environment.✓ A baseline customer survey was commissioned, and showed an overall satisfaction rating of 7.7 out of 10.✓ A comprehensive consumer research study was undertaken for pickerel to provide guidance for future marketing strategies.✓ As a result of the above, new point-of-sale material was developed and a workshop ("The Great Canadian Walleye Adventure") for major U.S. customers was held in Gimli, Manitoba.✓ Israel was established as a new higher value market for mullet and carp.✓ New carp roe markets were also developed.



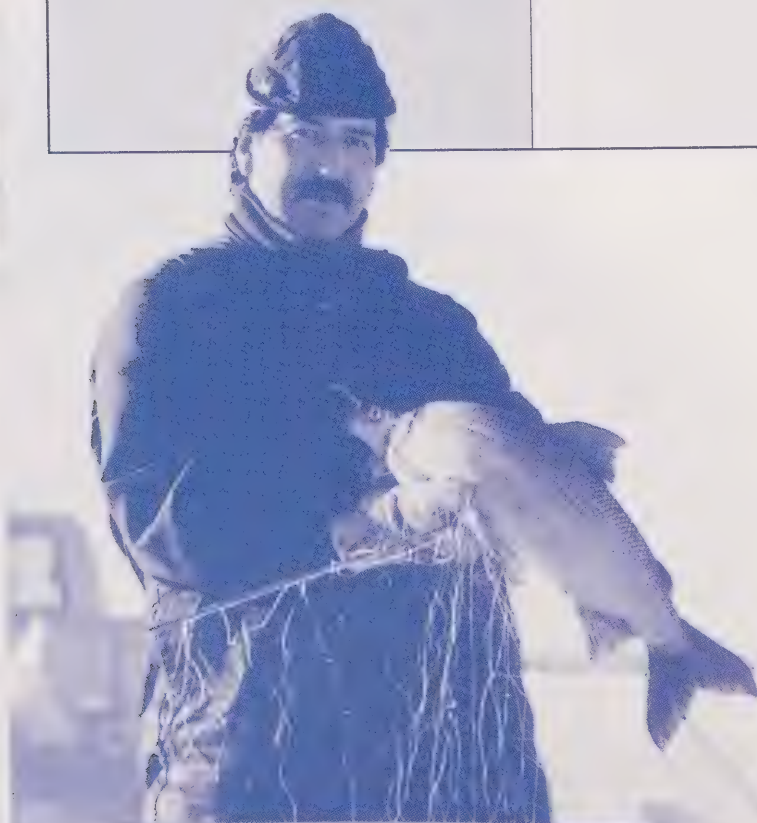
strategic directions

GENERATING INCREASING RETURNS TO FISHERS

Our goal is to continually increase total annual payments to fishers, thereby enhancing the benefits to them and their communities by:

- Developing markets for all commercially exploitable species
- Improving the match of product, supply and market
- Advocating increased, sustainable access to fish stocks
- Reducing operating costs

STRATEGIC INITIATIVES	PROGRESS HIGHLIGHTS
<ul style="list-style-type: none">• Freight Study• Rough Fish Development• Continuous Improvement Program• Production and Sales Analysis	<ul style="list-style-type: none">✓ Significant savings in overseas freight resulted from a review of alternatives.✓ Fishers will gain from processing and handling innovations developed for mullet.✓ Reduction in utility costs and improvements in labour effectiveness were realized as a result of equipment upgrades.✓ New sales and production reports were introduced.✓ Total payments to fishers (net of freight) were equal to the record set the previous year.



strategic directions

EARNING RESPECT AND RECOGNITION

Our goal is to earn support for the Corporation's mandate from a majority of the commercial fishers we serve by:

- Validating the mandate of the organization
- Securing input from stakeholders on policy direction
- Establishing open and accessible communications links to stakeholders
- Optimizing the development of physical and human resources

STRATEGIC INITIATIVES	PROGRESS HIGHLIGHTS
<ul style="list-style-type: none"> • Stakeholder Communications • Regional Processing Policy • Export Dealer Licence By-law • Employee Recognition Program 	<p>✓ Dialogue with key stakeholders continued to be a central focus; there were numerous meetings with fishers, governments and community leaders.</p> <p>✓ Communication was further enhanced with Quarterly Reports, website improvements and a series of information posters designed to outline the Strategic Plan to fishers.</p> <p>✓ New Board policies were approved for Regional Processing and Export Dealer Licences, signaling an openness to respond to fisher needs in innovative ways.</p> <p>✓ Employee relations were strengthened with various human resources programs, including a recognition program, information meetings, and supervisory training.</p>



Employee Recognition: 30 Years Service



Marie Antochiw



Gene Gudmundson



Andrew Kachkowsky

ten year

FINANCIAL SUMMARY

Fiscal Year Ended April 30th (ALL AMOUNTS IN MILLIONS OF DOLLARS)										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Sales	\$45.8	\$38.8	\$43.7	\$47.1	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2
Net Income Before Final Payments	\$6.9	\$3.3	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4
Initial Payments To Fishers	\$23.2	\$18.6	\$24.8	\$30.3	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9
Net Income Plus Initial Payments to Fishers	\$30.1	\$21.9	\$29.3	\$33.0	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3
Accounts Receivable- Trade	\$3.2	\$3.6	\$4.2	\$4.5	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4
Inventory Finished Fish Products	\$5.3	\$2.8	\$3.5	\$6.7	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9
Inventory-Packaging Materials and Parts	\$1.1	\$1.0	\$0.9	\$1.1	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8
Capital Assets- Net Book Value	\$8.0	\$7.3	\$7.6	\$7.5	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7
Loans Payable	\$6.0	\$6.6	\$7.0	\$11.1	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5
Retained Earnings*	\$4.0	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks.

how fishers

ARE PAID

The Freshwater Fish Marketing Act mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a “pool” system where receipts and costs are allocated or “pooled” by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets for underutilized species. Then, initial prices are set at above-justified levels for limited quantities to secure production for testing new markets.

The Corporation’s policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes generally, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. Most commonly, a temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer’s requirement.

At the end of the fiscal year, after the annual audit by the Auditor General’s Office, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table (page 12) provides a ten-year history of pool results.

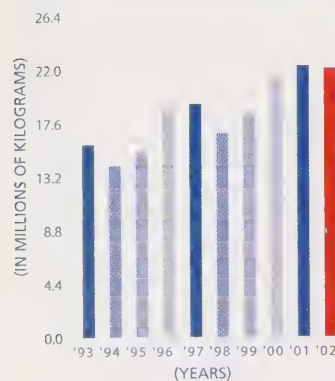
...a temporary delivery premium...encourage(s) fishers to harvest when prices are strong or when there is an urgent need to meet a customer’s requirement.



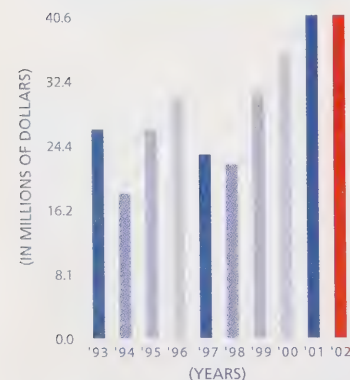
product deliveries &

FINANCIAL RETURNS TO FISHERS BY SPECIES

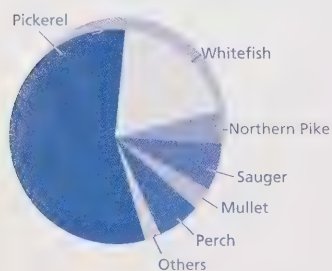
ALL POOLS - DELIVERED WEIGHT (1993-2002)



ALL POOLS - TOTAL PAYMENT (1993-2002)

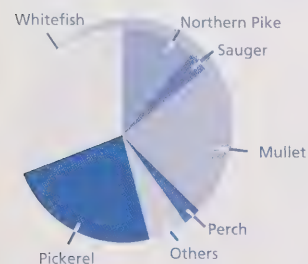


TOTAL PAYMENTS BY SPECIES (2001-2002)



Total payments of all pools \$40.6 million

DELIVERED WEIGHT BY SPECIES (2001-2002)



Delivered weight of all pools 22.0 million Kg

TEN YEAR SUMMARY (1993-2002), FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of Dollars

*Delivered Weights - Round Equivalent Weight (millions of kilograms)

**Initial Payments - Net of Freight

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Pickerel										
Delivered Weight*	3.9	3.0	3.0	3.1	2.6	2.8	3.7	4.6	5.7	5.1
Initial Payment**	\$8.9	\$6.8	\$8.2	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8
Final Payment	\$4.7	\$2.1	\$3.8	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9
Total Payment	\$13.6	\$8.9	\$12.0	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7
Price/Round Kg.	\$3.49	\$2.97	\$4.00	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45
Whitefish										
Delivered Weight*	5.3	5.0	6.3	6.4	6.4	5.5	5.3	5.6	6.5	6.8
Initial Payment**	\$3.6	\$3.0	\$6.1	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9
Final Payment	\$0.4	\$0.4	\$0.0	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0
Total Payment	\$4.0	\$3.4	\$6.1	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9
Price/Round Kg.	\$0.75	\$0.68	\$0.97	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16
Northern Pike										
Delivered Weight*	2.6	2.1	1.9	2.5	2.4	2.4	2.7	2.8	2.6	2.5
Initial Payment**	\$2.4	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8
Final Payment	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2
Total Payment	\$2.8	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0
Price/Round Kg.	\$1.08	\$0.67	\$0.68	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80
Sauger										
Delivered Weight*	1.9	1.5	1.7	1.3	1.1	1.0	1.1	1.0	0.6	0.7
Initial Payment**	\$3.4	\$2.5	\$4.3	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2
Final Payment	\$0.9	\$0.4	\$0.3	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7
Total Payment	\$4.3	\$2.9	\$4.6	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9
Price/Round Kg.	\$2.26	\$1.93	\$2.71	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14
Mullet										
Delivered Weight*	0.8	1.1	0.9	3.7	4.7	3.7	3.9	5.8	5.4	5.0
Initial Payment**	\$0.3	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.3	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4
Price/Round Kg.	\$0.38	\$0.36	\$0.44	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28
Perch										
Delivered Weight*	0.3	0.1	0.4	0.5	0.3	0.2	0.2	0.2	0.2	0.6
Initial Payment**	\$0.7	\$0.4	\$1.3	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2
Final Payment	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5
Total Payment	\$0.7	\$0.4	\$1.6	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7
Price/Round Kg.	\$2.33	\$4.00	\$4.00	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50
Other										
Delivered Weight*	1.1	1.2	1.0	1.2	1.6	1.2	1.3	1.3	1.3	1.3
Initial Payment**	\$0.7	\$0.7	\$0.5	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9
Final Payment	\$0.1	\$0.1	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
Total Payment	\$0.8	\$0.8	\$0.6	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0
Price/Round Kg.	\$0.73	\$0.67	\$0.60	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77
All Pools										
Delivered Weight*	15.9	14.0	15.2	18.7	19.1	16.8	18.2	21.3	22.3	22.0
Initial Payment**	\$20.0	\$15.2	\$22.1	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2
Final Payment	\$6.5	\$3.0	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4
Total Payment	\$26.5	\$18.2	\$26.6	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6
Price/Round Kg.	\$1.67	\$1.30	\$1.75	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85



April 30, 2002

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Freshwater Fish Marketing Corporation (the "Corporation") and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices, which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper books and records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board meets regularly with management and the auditors, who have full and free access to the Board.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

*Winnipeg, Canada
July 12, 2002*



financial statements

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 2002 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.



Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 12, 2002



financial statements

BALANCE SHEET

As at April 30th, 2002 (IN THOUSANDS OF DOLLARS)		
	2002	2001
ASSETS		
Current		
Cash	\$ 143	\$ 745
Accounts receivable	7,678	6,529
Inventories (Note 3)	11,704	13,147
Prepaid expenses	277	281
	19,802	20,702
Capital assets (Note 4)	6,689	6,194
	\$ 26,491	\$ 26,896
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,416	\$ 3,822
Provision for final payments to fishers	7,403	6,775
Loans payable (Note 5)	11,519	12,146
	22,338	22,743
Contingencies (Note 11)		
RETAINED EARNINGS		
Retained Earnings	4,153	4,153
	\$ 26,491	\$ 26,896

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director

statement of

OPERATIONS & RETAINED EARNINGS

Fiscal Year Ended April 30th, 2002 (ALL AMOUNTS IN THOUSANDS OF DOLLARS)		
	2002	2001
OPERATIONS		
Sales (Note 6)		
Export	\$ 53,826	\$ 48,469
Domestic	14,346	13,445
	68,172	61,914
Cost of sales		
Opening inventory of finished fish products	12,209	8,791
Add fish purchases and processing expenses:		
Initial payments to fishers	35,941	36,677
Salaries, wages and benefits (Note 7)	7,622	6,867
Packing allowances and agency operating costs	5,131	5,341
Packaging and storage	2,978	2,694
Utilities and property taxes	1,432	1,265
Amortization of production assets	1,089	1,071
Repairs and maintenance	707	706
Other	425	90
	67,534	63,502
Less ending inventory of finished fish products (Note 3)	(10,862)	(12,209)
	56,672	51,293
Gross profit on operations	11,500	10,621
Marketing and administrative expenses		
Salaries and benefits (Note 7)	1,862	1,503
Interest (Note 8)	647	735
Data processing, office and professional services	719	546
Amortization of administration assets	277	397
Advertising and promotion	300	295
Meeting fees and expenses	147	209
Other	145	161
	4,097	3,846
Income before provision for final payments to fishers	7,403	6,775
Provision for final payments to fishers	7,403	6,775
Net income for the year (Note 9)	-	-
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	\$4,153	\$4,153

The accompanying notes are an integral part of the financial statements.

statement of

CASH FLOWS

Fiscal Year Ended April 30th, 2002 (ALL AMOUNTS IN THOUSANDS OF DOLLARS)		
	2002	2001
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,366	1,468
Loss (gain) on sale of capital assets	20	(34)
Net changes in non-cash working capital balances relating to operations	(108)	(3,361)
Increase in provision for final payments to fishers	628	2,521
Cash provided by operations	1,906	594
Investing activities		
Additions to capital assets	(1,881)	(1,183)
Proceeds on sale of capital assets	-	75
Cash used for investing activities	(1,881)	(1,108)
Financing activities		
(Decrease) increase in loans payable	(627)	1,226
Cash (used for) provided by financing activities	(627)	1,226
(Decrease) increase in cash during the year	(602)	712
Cash at beginning of year	745	33
Cash at end of year	\$ 143	\$ 745

The accompanying notes are an integral part of the financial statements.

notes to

FINANCIAL STATEMENTS

Fiscal Year Ended April 30th, 2002

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of north-western Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$30 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2 %
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30 %
Fresh fish delivery tubs		Straight-line	10 %
Vessels		Straight-line	6 2/3%

notes to FINANCIAL STATEMENTS

Fiscal Year Ended April 30th, 2002

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transactions. Amounts receivable and payable denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rate. Foreign exchange gains and losses are included as a component of interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation are both required to contribute to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. INVENTORIES (in thousands of dollars)

Finished fish products

Packaging material and supplies

	2002	2001
	\$ 10,862	\$ 12,209
	842	938
	\$ 11,704	\$ 13,147

FINANCIAL STATEMENTS

Fiscal Year Ended April 30th, 2002

4. CAPITAL ASSETS (in thousands of dollars)	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 243
Buildings	7,467	4,938	2,529	2,299
Equipment	17,896	14,815	3,081	3,029
Fresh fish delivery tubs	775	360	415	387
Vessels	453	218	235	78
Construction in progress	93	-	93	158
	\$27,020	\$20,331	\$ 6,689	\$ 6,194

5. LOANS PAYABLE (in thousands of dollars)	2002	2001
Promissory notes	\$ 3,919	\$ 6,146
Bankers acceptances	7,600	6,000
	\$ 11,519	\$ 12,146

The \$2,500,000 U.S. dollar denominated promissory note (2001 - U.S. \$4,000,000) is unsecured, repayable in U.S. dollars, bears interest at 2.15% (2001 - 4.67%) and matures on May 14, 2002.

The bankers acceptances are unsecured, bear interest at 2.29% (2001 - 4.75%) and mature on May 3, 2002.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,097,066 (2001 - \$985,367) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$991,657 (2001 - \$908,501) of commissions paid to foreign sales agents.

7. PENSION PLAN

The Corporation's share of the total contributions paid to the employee pension plan for the current year was \$567,404 (2001 - \$499,652).

8. INTEREST EXPENSE (in thousands of dollars)	2002	2001
Interest on loans	\$ 614	\$ 1,020
(Gain) on foreign exchange	(22)	(328)
Bank charges and other interest	55	43
	\$ 647	\$ 735

FINANCIAL STATEMENTS

Fiscal Year Ended April 30th, 2002

9. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2001 - nil). At April 30, 2002 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$1,971,000 (2001 actual - \$1,898,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

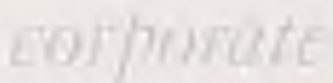
10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

11. CONTINGENCIES

(a) The Corporation is involved in various legal proceedings arising from the normal course of business that have been on-going for a number of years. The outcome of these proceedings cannot be reasonably determined, therefore, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these proceedings will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which they are determined.

(b) Certain employees of the Corporation may be eligible to buy back prior service amounts under the Public Service Superannuation Plan administered by the Government of Canada and receive matching contributions from the Corporation. This matter has been referred to arbitration. Accordingly, no amounts have been recorded in the financial statements as any amounts that may be payable by the Corporation cannot be reasonably determined. Amounts payable by the Corporation, if any, will be recorded in the year in which they are determined.



GOVERNANCE

...a new Regional Processing Policy... encourages community initiative while assuring fishers of equal or greater returns, preserving the integrity of the established delivery system, and maintaining the Corporation's mandate for orderly marketing.

A Board of eleven Directors, including the President and Chief Executive Officer, governs Freshwater Fish Marketing Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating governments. During the 2001-2002 fiscal year, seven Directors were fishers and five were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. Moreover, it is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

During the 2001-2002 fiscal year, Board members actively exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent.

In the course of the 2001-2002 fiscal year, the Corporation's Board members met a total of five times in Winnipeg. The main purpose of four of these meetings was to review corporate results for each quarter. A Quarterly Report is provided to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region. A fifth special session was devoted to a review of the 2002-2003 forecasts and budget, and approval of the Corporate Plan submitted to the Treasury Board.

The Board of Directors undertook two important policy reviews in 2001-2002. One resulted in a new Regional Processing Policy, allowing the Corporation to work productively with proponents of community development projects based on local fish processing. The new policy encourages community initiative, while assuring fishers of equal or greater returns, preserving the integrity of the established delivery system

and maintaining the Corporation's mandate for orderly marketing.

The other policy review required a new by-law to establish the Export Dealer Licence, which will permit the Corporation to exercise its legislated authority to make exceptions to its exclusive right to trade in fish. Licences are available in three categories: underutilized species; new products; and new markets. This by-law enables the Corporation to establish a clear policy on export licensing and to administer the application, approval and issuance of licences in a consistent manner.

Chairman Jim Bear was active on behalf of the Corporation during his first full year leading the Board. He traveled to several fishing communities to dialogue directly with fishers. Important contacts were established within the participating governments during trips to Ottawa, Edmonton, and Prince Albert, and he consolidated his liaison role in Manitoba. Chairman Bear also attended the International Fish and Seafood Show in Boston.

Long-serving Ontario Director Doug Sayers retired at the end of 2001. Mr. Sayers has been a Board member since December 1987.



DIRECTORS



Jim Bear
Chairman of the Board
Scanterbury, Manitoba
Occupation: Political Advisor
Southeast Tribal Council
Served on FFMC Board: 1 year

Andrew Bouvier

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 8 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 12 years

Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher and President of the
NWT Fishermen's Federation
Served on FFMC Board: 3 years



Robert T. Kristjanson

Gimli, Manitoba
Occupation: Fisher
Served on FFMC Board: 4 years

Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 6 years



David McArthur

Lac La Biche, Alberta
Occupation: Executive Director
Alberta Commercial
Fishermen's Association
Served on FFMC Board: 21 years

James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 3.5 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 6 years

Robert F. Hand

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 2.5 years



Doug Sayers

Sioux Lookout, Ontario
Occupation: Retired Civil Servant
Ministry of Natural Resources
Served on FFMC Board: 15 years

OFFICERS

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

...it is the Board's
strongly-held view
that a majority of its
members should
always be active fishers
representative of the
various regions.





11111 Prince Street, Richmond, British Columbia V6X 3L3 (Phone: (204) 933-6600 / Fax: (204) 933-6441)

www.fishmarket.ca

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FS100
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Canada

TABLE OF CONTENTS

Page 1	President's Report
Page 2	Corporate Profile
Page 3	Highlights and Accomplishments
Page 4	Strategic Directions
Page 8	Ten-Year Financial Summary
Page 9	How Fishers are Paid
Page 10	Product Deliveries and Financial Returns to Fishers by Species
Page 11	Financial Statements
Page 20	Corporate Governance

LETTER OF TRANSFER

FROM CHAIRMAN OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS



Honourable Robert Thibault
Government of Canada
Minister of Fisheries and Oceans
Suite 1570
200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Thibault:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2003.

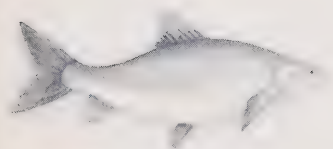
I would like to take this opportunity to thank past Board member Mr. Andrew Bouvier, who completed a nine-year term of loyal service to the Corporation, and wish him well in his future activities. At the same time, the Corporation welcomes its newest Director, Mr. Terry Hansen, appointed to replace Mr. Bouvier as the Saskatchewan member for a three-year term.

The Board of Directors and senior management enable the Corporation to thrive on teamwork made possible by a clear mandate and shared vision, as we continue to build marketing strength for Canada's freshwater fishers.

Respectfully,

A handwritten signature in dark ink, reading "Jim Bear". The signature is fluid and cursive, with a large initial "J" and "B".

Jim Bear
Chairman of the Board
Scanterbury, Manitoba



PRESIDENT'S REPORT

The past fiscal year was generally very good for our fishers. Total payments reached a new corporate record, with an improvement in most species over the previous year. The three-year moving average for total payments, a newly-defined performance indicator, is now 61% greater than four years ago. These results were achieved largely due to increasing deliveries, high exchange rates, and strong regional markets, particularly for pickerel.

The year was also eventful with new three-year labour contracts successfully negotiated in a spirit of mutual respect and cooperation.

Total sales for the year were 4% lower than last, despite a very strong start. After being up 5% at the half-year mark, sales declined over the last six months due mainly to a sluggish US economy and, in the last quarter, a rapidly declining exchange rate. This latter issue is a serious concern should it persist, as over 60% of all sales are into the American market.

The success of any organization is due in part to the contribution of its employees; I wish to acknowledge the contribution of FFMC's employees to our success. There are definitely challenges ahead, but I am confident that the strategic direction first established three years ago is the right one for this Corporation. There are still many opportunities for improving returns to fishers.

Respectfully,

Robert F. Hand

*President and Chief Executive Officer
Winnipeg, Manitoba*





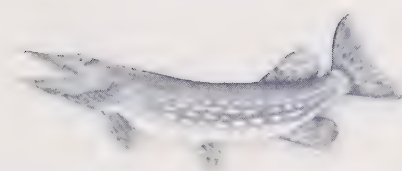
CORPORATE PROFILE

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully fished and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, govern the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. A four-member senior management team assists the President and forty-six full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Thirty-seven contracted agents and three corporate agencies grade and purchase fish at seventy-five delivery points. Approximately 2,760 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate for interprovincial and international trade and marketing. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.

We will provide a working environment that recognizes employee value and fosters innovation and respect.



HIGHLIGHTS & ACCOMPLISHMENTS

MARKETING AND SALES

- Total sales of \$65.7 million were just short of the record set the previous year.
- A continuing sluggish US economy and rapidly declining exchange rate in the fourth quarter reversed a strong sales start experienced in the first half of the year.
- Average market prices were generally lower for all species, with the noted exceptions of pickerel and fresh whitefish prices.
- The drop-off in sales resulted in higher year-end inventories. However, these are manageable and will be brought into line in a timely manner.

FISHER RETURNS

- Total payments (initial and final) available to fishers (net of freight) at \$41.1 million set a new corporate record. This is the third consecutive year whereby returns to fishers have exceeded \$40 million.
- In aggregate, initial payments were \$1.7 million greater than 2001/2002 due to increased deliveries and higher delivery prices set for pickerel.
- Initial payments were greater for most species with the exceptions of northern pike and perch, both of which had lower deliveries.
- Initial payments were also greater for most regions, with the exception of the Northwest Territories, the only major region to experience a volume decrease.
- Final payments in aggregate were \$1.2 million less than 2001/2002. All species incurred a decline in final payments but when initial and final payments are combined, most species pools did at least as well as the previous year.

FINANCIAL ISSUES

- The net income of \$6.2 million was 16% lower than last year.
- Most of the market-related gains for pickerel had been paid to fishers through higher initial prices, which also impacted the overall net income.
- Costs were higher in several areas, notably employee-related benefits, inventory storage costs and bad debt expense. There was also a first-time charge related to Employment Insurance Premiums on final payments for fishers, and a one-time superannuation provision to resolve a longstanding issue.

We will be open, honest and accountable.

OUR MISSION

*"TO BE THE LEADING MARKETER OF FRESHWATER FISH PRODUCTS,
RESPECTED AND RECOGNIZED FOR HIGH-QUALITY, DEPENDABLE SUPPLY,
EXCELLENT CUSTOMER VALUE AND INCREASING RETURNS TO FISHERS."*

The 2002/2003 fiscal period was the second full year of operation under the Corporation's Strategic Directions plan. This continues to be a dynamic process founded on firmly-established corporate core values. The program maintains a consistent focus on three key objectives: sustaining market leadership, increasing returns to fishers, and earning respect and recognition.

STRATEGIC DIRECTIONS

TOOLS FOR GROWTH

The Corporation employs various techniques to implement its Strategic Directions plan.

First, we establish a framework for a successful future by building on our strengths and capitalizing on opportunities. For example, in 2002/2003:

- An opportunity to supply quality carp roe to a recently-developed niche market was ramped up to over 50 tonnes through effective production planning.
- The Corporation has redefined its approach to capitalize on fresh fish as a potential growth opportunity. Fresh whitefish fillets were produced for the first time for the retail market.
- Alternatives were pursued for boning northern pike fillets, to maintain the French market, and allow FFMC to expand market opportunities in North America.

Second, we work effectively with our partners, encouraging ownership in goal achievement.

To this end:

- The Corporation has involved Board members, brokers and customers in marketing workshops.
- Both fishers and agents were well-represented in the Fish Quality workshop that resulted in FFMC's Lake-to-Plate initiatives.
- FFMC senior management and field staff, and our colleagues in Manitoba Conservation meet semi-annually to discuss cooperative efforts to better serve fishers.

Finally, adoption of the strategic initiative process is driving organizational change. Strategic initiatives are non-routine, clearly-defined actions or projects that contribute directly to achieving the goals identified in the Strategic Directions plan.

Measurable results are defined for each initiative, so performance can be evaluated to determine if initiatives will continue, require modification or be abandoned. In this manner, the Corporation continually improves its operations and takes advantage of new opportunities. Strategic goals and initiatives are discussed in the following sections.

We will strive to exceed customer expectations for quality, service and reliability.

1. SUSTAINING MARKET LEADERSHIP

Our goal: To be the supplier of choice in the markets we serve based on quality, service and reliability.



STRATEGIC INITIATIVES

Whitefish: New Market / Product Development

- Customer-focused workshops launched new marketing initiative
- Market research undertaken in key markets
- Created new point-of-sale material
- Developed processing capacity for boned whitefish

Northern Pike

- Introduced boned fillets into the French market

Promotional Initiatives

- Produced a new promotional video for whitefish: *Fresh From Under The Ice*
- Designed and created a new portable Tradeshow Display
- Walleye promotion "Roadshow" used to generate market pull in major US market

Regional Processing

- Progress continued with proponents of a processing plant in Saskatchewan
- Established a business plan for a Hay River pilot plant for whitefish fillets
- Preliminary discussions were held with several other potential partners

PERFORMANCE INDICATORS

Consumer surveys were conducted by Probe Research in 2001 to determine whether FFMC was the supplier of choice with regard to service, quality and reliability. That survey established a baseline of customer satisfaction; it will be repeated at three-year intervals, with the next one planned for 2004, in order to assess progress with respect to these benchmarks.



We will be vigilant in all we do to ensure the sustainability of the inland fishery.

2. GENERATING INCREASING RETURNS TO FISHERS

Our goal: To increase total returns to fishers, thereby enhancing the benefits to them and their communities.

STRATEGIC INITIATIVES

Continuous Process Improvement

- Whole fish grading system installed to enhance filleting yields
- Improved mechanical scaling replaced hand-scaling on three lines
- Alternative machines for pin-bone removal were tested, with one selected to become part of a new mechanized whitefish processing line

Fish Quality Program

- Fish Quality Workshop consolidated stakeholder input to help establish “best practices” for fish handling
- Fresh Fish Production Coordinator was hired
- Training/upgrading for fishers and graders
- Enhanced internal 3-way communications to support more efficient fresh sales and processing production planning
- Experimented with fresh sales packing at delivery points (reduce cost and handling)
- Published the inaugural issue of a Fish Quality newsletter, distributed to fishers

Packaging Cost Initiative

- All packaging materials/uses have been catalogued
- Standardization of packaging
- Identification of savings

Finance and Administration

- Produced a monthly Contribution Analysis to help guide market decisions
- Monthly Productivity Measurement report monitors labour efficiency
- An Internal Audit focusing on control of inventory was completed

PERFORMANCE INDICATORS

“Returns to fishers”, defined as initial payments (net of freight) plus final payments, has been used as a simple, obvious performance indicator. Returns to fishers have been reported in aggregate and species pool since April 30, 2000 (see page 10).

This year an index of returns to fishers, in the form of a three-year moving average, was developed to:

- Clearly show trends over time, while moderating the effect of year-to-year variations
- Smooth out environmental cycles
- Account for inventory carry-over (i.e. fish caught in one year can be sold in the next)

In addition, the distribution of fisher returns will be expressed by reporting the percentage of all fishers who saw an increase, a decrease, or no change in individual returns compared to the previous year. This cannot be included in the Annual Report, since the process of determining individual distribution of final payments takes until October. This performance measure will be reported in the Corporation's second Quarterly Report each year.

3. EARNING RESPECT AND RECOGNITION

Our goal: To earn support for the Corporation's mandate from a majority of the commercial fishers we serve.

Employee Recognition 30 YEARS SERVICE



Gerald Bell



Grant Warren



Mel Proceviat



Randy Kavitch



Vic Franco

STRATEGIC INITIATIVES

Strengthened Fisher Relations

Board members and senior management attended various fisher association meetings, including:

- Great Slave Lake fishery conference
- Semi-annual meetings of Lake Winnipeg Commercial Fishermen's Advisory Committee
- Lake Manitoba Fishermen's Association Annual Meeting
- Alberta Commercial Fishermen's Association annual meeting
- Saskatchewan Cooperative Fisheries Ltd. annual meeting
- Numerous local meetings

Broadened Government and Public Relations

- Dialogue with provincial resource regulators was strengthened by the institution of a semi-annual operations meeting with Manitoba Conservation
- Government support and input secured for the Fisher Profile Survey

Enhanced Customer and Employee Relations

- Customers and brokers were invited to participate in various workshops on marketing initiatives
- Fishers and agents were involved in a workshop leading to the establishment of a Lake-to-Plate program
- The Corporation again recognized employees for past service (nine employees reached the 25-year mark and five achieved 30 years of service)
- Three-year collective agreements were established with both unions

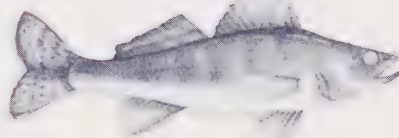
Internship Program

- A program to improve Aboriginal representation within corporate management was implemented
- Two Aboriginal management interns were hired for the program

PERFORMANCE INDICATORS

Performance indicators in this area are necessarily qualitative, not available through routine business reporting. Special effort through organized surveys will be required. Sufficient support was assembled in 2002/2003 to permit the fisher profile survey project to go ahead in 2003/2004.





TEN YEAR FINANCIAL SUMMARY

FISCAL YEAR ENDED APRIL 30, 2003 (All amounts in millions of dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales	\$38.8	\$43.7	\$47.1	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$65.7
Net Income Before Final Payments	\$3.3	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2
Initial Payments To Fishers	\$18.6	\$24.8	\$30.3	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7
Net Income Plus Initial Payments To Fishers	\$21.9	\$29.3	\$33.0	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9
Accounts Receivable - Trade	\$3.6	\$4.2	\$4.5	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.4
Inventory - Finished Fish Products	\$2.8	\$3.5	\$6.7	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7
Inventory - Packaging Material and Parts	\$1.0	\$0.9	\$1.1	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9
Capital Assets - Net Book Value	\$7.3	\$7.6	\$7.5	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9
Loans Payable	\$6.6	\$7.0	\$11.1	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2

***Retained Earnings**

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks.

Above all, we will be governed by our responsibilities to fishers.

HOW
FISHERS
ARE PAID

HOW FISHERS ARE PAID

The Freshwater Fish Marketing Act mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act enables the Corporation to establish a payment structure that provides initial and final payments under a “pool” system where receipts and costs are allocated or “pooled” by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets for underutilized species. Then, initial prices are set at above-justified levels for limited quantities to secure production for testing new markets.

The Corporation’s practice is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes generally, including lower-value

species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. Most commonly, a temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer’s requirement.

At the end of the fiscal year, after the annual audit by the Auditor General’s Office, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table (page 10) provides a ten-year history of pool results.



PRODUCT DELIVERIES & FINANCIAL RETURNS TO FISHERS BY SPECIES

TEN YEAR SUMMARY (1994-2003), FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of Dollars (Current Dollars)

¹Delivered Weight - Round Equivalent Weight (millions of kilograms)

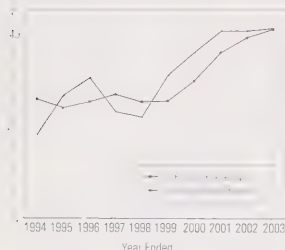
²Price/Round Kg. - Based on Initial Payment plus Final Payment

³Initial Payments - Net of Freight

⁴Three Year Moving Average of Total Payments

TOTAL PAYMENTS: MOVING 3 YR. AVERAGE

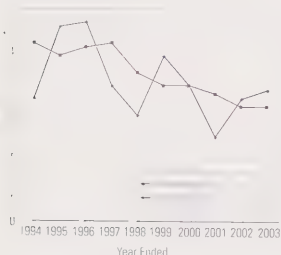
All Species



The moving three-year average for total returns net of freight has been introduced this year. This index helps to show real trends in the fisheries because:

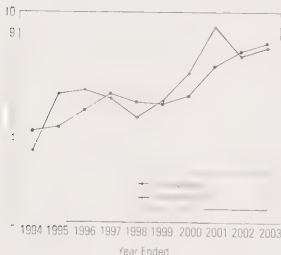
- It moderates the effect of year-to-year variations in catch
- It smooths out environmental cycles
- It accounts for fish that may be purchased in one year and sold in the next

Sauger Pool



For example, sharp year-over-year increases in sauger returns seen in 1995, 1999 and 2002 may mask an overall declining trend

Whitefish Pool



Likewise, sudden downturns in whitefish returns in 1998 and 2002 can make it difficult to appreciate an overall rising trend in returns clearly shown by the moving 3 yr. average

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Pickereel										
Delivered weight ¹	3.0	3.0	3.1	2.6	2.8	3.7	4.6	5.7	5.1	5.1
Price/Round Kg. ²	\$2.97	\$4.00	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65
Initial Payment ³	\$6.8	\$8.2	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2
Final Payment	\$2.1	\$3.8	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5
Total Payment	\$8.9	\$12.0	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7
3 Yr. Moving Avg. ⁴	\$12.2	\$11.5	\$11.5	\$11.6	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4
Whitefish										
Delivered weight ¹	5.0	6.3	6.4	6.4	5.5	5.3	5.6	6.5	6.8	7.0
Price/Round Kg. ²	\$0.68	\$0.97	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19
Initial Payment ³	\$3.0	\$6.1	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3
Final Payment	\$0.4	\$0.0	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0
Total Payment	\$3.4	\$6.1	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3
3 Yr. Moving Avg. ⁴	\$4.3	\$4.5	\$5.3	\$6.1	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5
Northern Pike										
Delivered weight ¹	2.1	1.9	2.5	2.4	2.4	2.7	2.8	2.6	2.5	2.4
Price/Round Kg. ²	\$0.67	\$0.68	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71
Initial Payment ³	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0
Total Payment	\$1.4	\$1.3	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7
3 Yr. Moving Avg. ⁴	\$2.6	\$1.8	\$1.5	\$1.6	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0
Sauger										
Delivered weight ¹	1.5	1.7	1.3	1.1	1.0	1.1	1.0	0.6	0.7	0.8
Price/Round Kg. ²	\$1.93	\$2.71	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88
Initial Payment ³	\$2.5	\$4.3	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5
Final Payment	\$0.4	\$0.3	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6
Total Payment	\$2.9	\$4.6	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1
3 Yr. Moving Avg. ⁴	\$4.2	\$3.9	\$4.1	\$4.2	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7
Mullet										
Delivered weight ¹	1.1	0.9	3.7	4.7	3.7	3.9	5.8	5.4	5.0	5.4
Price/Round Kg. ²	\$0.36	\$0.44	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26
Initial Payment ³	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.4	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4
3 Yr. Moving Avg. ⁴	\$0.7	\$0.4	\$0.6	\$0.9	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4
Perch										
Delivered weight ¹	0.1	0.4	0.5	0.3	0.2	0.2	0.2	0.2	0.6	0.5
Price/Round Kg. ²	\$4.00	\$4.00	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60
Initial Payment ³	\$0.4	\$1.3	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8
Final Payment	\$0.0	\$0.3	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0
Total Payment	\$0.4	\$1.6	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8
3 Yr. Moving Avg. ⁴	\$0.9	\$0.9	\$1.3	\$1.4	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8
Other										
Delivered weight ¹	1.2	1.0	1.2	1.6	1.2	1.3	1.3	1.3	1.3	1.6
Price/Round Kg. ²	\$0.67	\$0.60	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69
Initial Payment ³	\$0.7	\$0.5	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0
Final Payment	\$0.1	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1
Total Payment	\$0.8	\$0.6	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1
3 Yr. Moving Avg. ⁴	\$0.9	\$0.7	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0
All Pools										
Delivered weight ¹	14.0	15.2	18.7	19.1	16.8	18.2	21.3	22.3	22.0	22.8
Price/Round Kg. ²	\$1.30	\$1.75	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80
Initial Payment ³	\$15.2	\$22.1	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9
Final Payment	\$3.0	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2
Total Payment	\$18.2	\$26.6	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1
3 Yr. Moving Avg. ⁴	\$25.7	\$23.8	\$25.1	\$26.7	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8

April 30, 2003

FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for doubtful accounts receivable and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit studies, which consists of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditors on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 11, 2003

AUDITOR'S REPORT



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2003, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

A handwritten signature in black ink, appearing to read 'John D. McCullough'.

John D. McCullough, CA
Principal
For the Auditor General of Canada

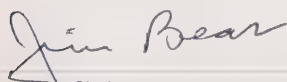
Winnipeg, Canada
July 11, 2003

BALANCE SHEET

As at April 30, 2003 (in thousands of dollars)	2003	2002
ASSETS		
Current		
Cash	\$ 133	\$ 143
Accounts receivable	7,149	7,678
Inventories (Note 3)	14,595	11,704
Prepaid expenses	61	277
	21,938	19,802
Capital assets (Note 4)	6,876	6,689
	\$ 28,814	\$ 26,491
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,478	\$ 3,416
Provision for final payments to fishers	6,183	7,403
Loans payable (Note 5)	14,000	11,519
	24,661	22,338
RETAINED EARNINGS		
Retained earnings	4,153	4,153
	\$ 28,814	\$ 26,491

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended April 30, 2003 (in thousands of dollars)

	2003	2002
OPERATIONS		
Sales (Note 6)		
Export (Note 7)	\$ 52,539	\$ 54,113
Domestic	13,147	14,346
	<u>65,686</u>	<u>68,459</u>
Cost of sales		
Opening inventory of finished fish products	10,862	12,209
Add fish purchases and processing expenses:		
Initial payments to fishers	37,710	35,941
Salaries, wages and benefits (Note 8)	8,519	7,622
Packing allowances and agency operating costs	5,565	5,131
Packaging and storage	3,141	2,978
Utilities and property taxes	1,273	1,432
Amortization of production assets	824	1,089
Repairs and maintenance	765	707
Other	391	425
	<u>69,050</u>	<u>67,534</u>
Less ending inventory of finished fish products (Note 3)	<u>(13,682)</u>	<u>(10,862)</u>
	<u>55,368</u>	<u>56,672</u>
Gross profit on operations	10,318	11,787
Marketing and administrative expenses		
Salaries and benefits (Note 8)	2,067	1,862
Interest (Note 7)	153	934
Data processing, office and professional services	673	719
Amortization of administration assets	229	277
Advertising and promotion	272	300
Meeting fees and expenses	143	147
Other	598	145
	<u>4,135</u>	<u>4,384</u>
Income before provision for final payments to fishers	6,183	7,403
Provision for final payments to fishers	<u>6,183</u>	<u>7,403</u>
Net income for the year (Note 9)	-	-
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	\$ 4,153	\$ 4,153

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

STATEMENTS

For the Year Ended April 30, 2003 (in thousands of dollars)	2003	2002
CASH PROVIDED BY (used for)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash		
Amortization	1,368	1,366
Loss on sale of capital assets	49	20
Net changes in non-cash working capital balances relating to operations	(1,084)	(108)
(Decrease) increase in provision for final payments to fishers	(1,220)	628
Cash (used for) provided by operations	(887)	1,906
Investing activities		
Additions to capital assets	(1,607)	(1,881)
Proceeds on sale of capital assets	3	-
Cash used for investing activities	(1,604)	(1,881)
Financing activities		
Increase (decrease) in loans payable	2,481	(627)
Cash provided by (used for) provided by financing activities	2,481	(627)
Decrease in cash during the year	(10)	(602)
Cash at beginning of year	143	745
Cash at end of year	\$ 133	\$ 143

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2003

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$24 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

STATEMENTS

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transactions. Amounts receivable and payable denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rate. Foreign exchange gains and losses incurred on the settlement of amounts receivable and payable denominated in a foreign currency are included, on a net basis, as a component of export sales and interest expense, respectively.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation are both required to contribute to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Use of Estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. INVENTORIES (in thousands of dollars)

	2003	2002
Finished fish products	\$ 13,682	\$ 10,862
Packaging material and supplies	913	842
	\$ 14,595	\$ 11,704

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2003

4. CAPITAL ASSETS (in thousands of dollars)

	2003		2002
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 336	\$ -	\$ 336
Buildings	7,561	5,230	2,331
Equipment	18,100	14,655	3,445
Fresh fish delivery tubs	767	354	413
Vessels	477	253	224
Construction in progress	127	-	127
	\$ 27,368	\$ 20,492	\$ 6,876
			\$ 6,689

5. LOANS PAYABLE (in thousands of dollars)

	2003	2002
Promissory note	\$ -	\$ 3,919
Bankers acceptances	14,000	7,600
	\$ 14,000	\$ 11,519

The bankers acceptances are unsecured, bear interest at 3.30% (2002 - 2.29%) and mature on May 2, 2003.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,000,393 (2002 - \$1,097,066) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$927,101 (2002 - \$991,657) of commissions paid to foreign sales agents.

7. FOREIGN CURRENCY RISK AND EXCHANGE GAINS AND LOSSES

Foreign currency risk is the risk that changes in exchange rates between the Canadian dollar and foreign currencies may adversely affect the Corporation's operating and financial results. The Corporation generates a significant portion of its sales in U.S. dollars and does not use derivative financial instruments to hedge its exposure to this foreign currency risk.

Export sales includes a net foreign exchange loss of \$1,079,335 incurred on the settlement of amounts receivable denominated in U.S. dollars during the year (2002 - net foreign exchange gain of \$286,792). Interest expense includes a net foreign exchange gain of \$342,736 incurred on the settlement of amounts payable denominated in U.S. dollars during the year (2002 - net foreign exchange loss of \$264,842).

8. PENSION PLAN

The Corporation's share of the total contributions paid to the employee pension plan for the current year was \$673,758 (2002 - \$567,404).

STATEMENTS

9. INCOME TAXES

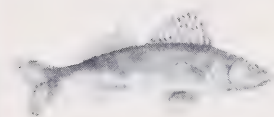
The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2002 - nil). At April 30, 2003 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$2,100,000 (2002 actual - \$1,971,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

11. COMPARATIVE FIGURES

Certain 2002 comparative figures have been restated to conform with the current year's presentation.



A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2002/2003 fiscal year, seven Directors were fishers and five were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

During the year, Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent.

CORPORATE GOVERNANCE

The Corporation's Board members met six times in Winnipeg during the fiscal year. The main purpose of four meetings was to review corporate results for each quarter. A Quarterly Report is provided to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region. The fifth session was held in July 2002 to review and approve the Annual Report for 2001/2002. A sixth special session was devoted to a review of the 2003/2004 forecasts and budget, and approval of the Corporate Plan submitted to the Treasury Board.

The Board considered eight applications under the new Export Dealers Licence policy and approved three, while renewing one other.

Chairman Jim Bear, several Board members and FFMC senior management made a presentation to new Minister of Fisheries and Oceans, Honourable Robert Thibault, in September 2002. Robert T. Kristjanson and Bert Buckley attended the Whitefish Marketing Workshop in June 2002, while Irvin Constant participated in a two-day Fish Quality Workshop last summer.

Chairman Jim Bear attended numerous meetings with fishers and community leaders, including: Saskatchewan Cooperative Fisheries Ltd., the Minister of Conservation for Manitoba, the Northwest Territories Fishermen's Federation, the Saskatchewan Minister of the Environment and Resource Management, Chief Easter of the Chemawawin Band Council, Chief Alex McDougall from Wasagamach Band Council, and Island Lake Tribal Council.

Major conferences attended included the Great Slave Lake Fishery Conference (NWT), Alberta Commercial Fishermen's Association annual meeting, Saskatchewan Cooperative Fisheries Ltd. annual meeting, Lake Manitoba Fishermen's Association annual meeting, and the Aboriginal Economic Renewal Initiative - Commercial Fishermen's Conference in Sault Ste. Marie, Ontario.

Saskatchewan Director Mr. Andrew Bouvier completed 9 years of service on the Board at the end of 2002, and was replaced by Mr. Terry Hansen of Beauval, Saskatchewan. Mr. Hansen was a commercial fisher from 1975-90, and comes from a family that has fished commercially for three generations. He is committed to the protection of the environment and to a productive fishing industry.

BOARD OF DIRECTORS



Jim Bear

Chairman of the Board
Scanterbury, Manitoba
Occupation: Political Advisor, Southeast
Tribal Council
Served on FFMC Board: 2 years



Robert F. Hand

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 3.5 years



Robert T. Kristjanson

Gimli, Manitoba
Occupation: Fisher
Served on FFMC Board: 5 years



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 7 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 7 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 4.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 13 years



David McArthur

Lac La Biche, Alberta
Occupation: Executive Director, Alberta
Commercial Fishermen's Association
Served on FFMC Board: 22 years



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher and President of the
NWT Fishermen's Federation
Served on FFMC Board: 4 years



Andrew Bouvier

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 9 years
(term complete)



Terry Hansen

Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 6 months
(new member)

CORPORATE Officers

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

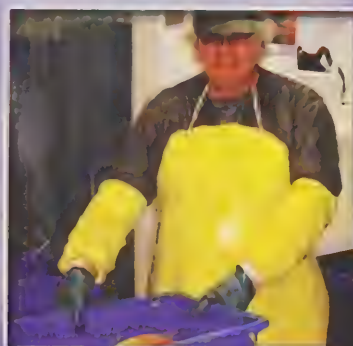
Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com



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www.freshwaterfish.com

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2004



2003-2004 Annual REPORT



Building Marketing Strength For Canada's Freshwater Fishers

Canada

TABLE OF CONTENTS

Page 1	President's Report
Page 2	Corporate Profile
Page 3	Highlights and Accomplishments
Page 4	Strategic Directions
Page 8	Ten-Year Financial Summary
Page 9	How Fishers are Paid
Page 10	Product Deliveries and Financial Returns to Fishers by Species
Page 11	Financial Statements
Page 20	Corporate Governance

LETTER OF TRANSFER

FROM CHAIRPERSON OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS



Honourable Geoff Regan
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Regan:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2004.

I would like to take this opportunity to thank retired Board member Robert T. Kristjanson, who completed a six-year term of dedicated service to the Corporation, and wish him well in his future activities.

The Corporation also welcomes its newest Director, Ron Ballantyne, appointed as the Manitoba representative for a two-year term. We also congratulate Ed Isfeld, reappointed to the Board as a federal representative.

The Board of Directors and senior management met the many fiscal challenges of 2003/2004 head-on, using business intelligence and every opportunity possible to mitigate the loss caused by the fluctuating U.S.-Canadian exchange rate.

It is encouraging to have the results of the Fisher Profile Study (completed in April 2004) confirm that a majority of our stakeholders gave a positive overall performance rating to the Corporation and support our single-desk marketing function on their behalf.

We will continue to earn our stakeholders' respect and recognition, and to provide a bright financial future for the children they believe will carry on the family tradition of commercial freshwater fishing.

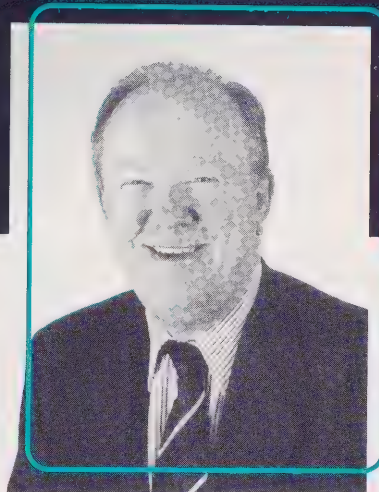
Respectfully,

A handwritten signature in dark ink that reads "Jim Bear". The signature is stylized with a large, looped "J" and a cursive "Bear".

Jim Bear
Chairman of the Board

PRESIDENT'S REPORT

"The Corporation must rise to the challenge of a higher-valued Canadian dollar that is the new reality faced by all export-oriented companies."



The 2003/2004 fiscal year was a difficult one for the Corporation and the fishers we serve. A rapid and pronounced weakening of the U.S. dollar has interrupted a six-year unprecedented growth trend for sales and payments to fishers. Almost \$6.0 million in year-to-year decreases for both sales and payments can be attributed to this exchange rate factor.

There were other lesser but significant factors that impacted the financials. Lower margins resulted from price promotions to develop new markets and defend against increasing competition. Higher costs were associated with extreme peaks in deliveries, new product development, and agency operations.

The overall result was that the Corporation experienced a \$0.8 million net loss, its first in over thirty years. Retained Earnings, which were accumulated as a hedge against possible losses, were reduced accordingly.

The Corporation must rise to the challenge of a higher-valued Canadian dollar that is the new reality faced by all export-oriented companies. We will do that by focusing on quality enhancement, cost reduction and market development. We are committed to restoring payments to fishers to meet and exceed the record levels that they recently enjoyed.

Respectfully,

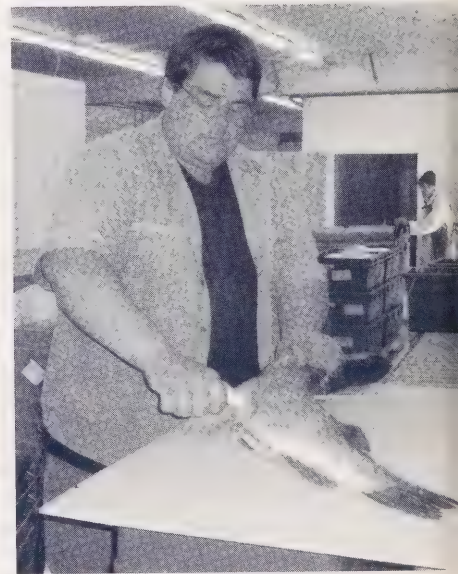
A handwritten signature in dark ink that reads "Robert F. Hand".

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba

CORPORATE PROFILE

PROFILE

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully fished and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.



The Board of Directors, with the President and Chief Executive Officer, govern the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. A four-member senior management team assists the President and forty-four full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Thirty-eight contracted agents and three corporate agencies grade and purchase fish at seventy-five delivery points.

Approximately 3,000 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to inter-provincial and international trade and marketing. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.



FISHER RETURNS

- Total fish deliveries decreased by 2.1 million round equivalent kilograms (or 9%) compared to 2002/2003.
- Lower deliveries were recorded in all regions and for all species except for pickerel, which saw a 10% increase.
- The downturn in exchange rate forced initial prices to be reduced in November 2003 by 5% to 15% for all species.
- As a result of the above, initial payments to fishers (net of freight) at \$33.4 million were \$1.5 million or 4% lower than last year.

- As there will be no final payment this year, total payments to fishers will remain at \$33.4 million, which is \$7.7 million below the record payments (initial plus final) last year.

FINANCIAL ISSUES

- The net loss of \$0.8 million compared to a net income of \$6.2 million last year.
- Approximately \$5.9 million of the \$7.0 million change can be attributed to the exchange rate factor.
- In addition, there were reduced margins for certain species as a result of price promotions to stimulate sales of high inventory items.
- Retained Earnings, which were accumulated as a hedge against possible losses, were reduced accordingly.

MARKETING AND SALES

Total sales of \$60.3 million were \$6.5 million less than the previous year.

The sales decrease can be attributed primarily to the sharply lower U.S.-to-Canadian dollar exchange rate.

Total sales by weight (pounds sold) were approximately equal to last year with increases for whitefish, lake trout and perch offset by slight declines in other species.



STRATEGIC DIRECTIONS

DIRECTIONS

The Corporation's Board of Directors created a vision for the future in February 2000 that identified issues and established values and directions for the Corporation's long-term development. With this direction, the management team developed a comprehensive strategic plan that the Board approved in July 2000. The approved plan includes corporate values, goals and objectives along with a program for implementation, control and continual review. The following corporate mission statement guides the plan:

OUR MISSION

*"To be the **leading marketer** of freshwater fish products, **respected and recognized** for high-quality, dependable supply, excellent customer value and **increasing returns to fishers.**"*



With the strategic framework in place, the dynamic process of implementation is driven through the ongoing evolution of strategic initiatives. These initiatives are non-routine clearly-defined actions or projects undertaken to fulfil identified corporate goals. They allow planned change and adaptation to new directions while maintaining a focus on strategic objectives. Each initiative has a project champion, budget and implementation timetable, along with measurable results for evaluating performance.

Following is a summary of initiatives and progress for each of the three key objectives for the 2003/2004 fiscal year:



SUSTAINING MARKET LEADERSHIP

Our goal: To be the supplier of choice in the markets we serve based on quality, service and reliability.

WHITEFISH: NEW MARKET / PRODUCT DEVELOPMENT

- Boned, vacuum-packed whitefish product was developed for the U.S. and Canadian retail markets.
- Boned whitefish fillets were introduced into the Finnish market. This important expansion of the product line contributed to almost tripling frozen fillet sales over the previous year.
- Established a Whitefish Implementation Team to ensure continued focus and coordination of all whitefish development initiatives.
- A mechanized processing line for whitefish filleting and bone removal was installed.

NORTHERN PIKE

- Continued production of boneless northern pike fillets.
- Developed a boneless northern pike portion for European foodservice market.

FRESH FISH PROGRAM

- A new lakeside fresh packing program was implemented to eliminate double handling and enhance quality.
- Pilot projects were undertaken, including shipping fresh fish into Finland and further processing to add value for U.S. and Canadian customers.

LAKE-TO-PLATE FISH QUALITY PROGRAM

- Quality Workshop was held in August 2003 which resulted in several new initiatives:
 - Periodic Newsletter to fishers featuring quality themes

- Pilot projects to compare harvesting techniques with regard to quality and size
- Studies on alternative lake-to-plant shipping containers and chilling systems
- A complete in-plant review of handling and storage methods
- As a result of the above, there have already been significant changes implemented in the way we purchase, grade, transport, hold and process fish to maximize quality.

PERFORMANCE INDICATORS

A base-line customer survey was conducted by Probe Research in 2001 to determine whether FFMC was the supplier of choice with regard to service, quality and reliability. This survey was completed in April 2004 and additionally, valuable information was gathered in regards to new market opportunities. A condensed summary of both results are presented in the following table:

Factor	2001 Score	2004 Score
Service	4.3 out of 5.0	3.8 out of 5.0
Quality	4.4 out of 5.0	4.3 out of 5.0
Reliability	4.4 out of 5.0	3.9 out of 5.0
Overall Performance	7.7 out of 10.0	7.2 out of 10.0

The 2004 results are generally lower than in 2001, particularly for service and reliability. Recent out-of-stock incidents for prime sizes of pickerel and customer concerns with timely communication are the indicated reasons. These issues are being addressed on a go-forward basis and we expect that the next scheduled survey in 2007 will reflect the corrective action taken.



GENERATING INCREASING RETURNS TO FISHERS AND COMMUNITIES

Our goal: To increase total returns to fishers, thereby enhancing the benefits to them and their communities.

CONTINGENCY PLAN TO HANDLE PEAK VOLUMES

- Exceptional peak deliveries overtaxed processing capacity on two separate occasions during the year.
- In order to reduce the risk of recurrence, a Contingency Response Plan for 2004/2005 was documented and ready for implementation on March 31, 2004.

CONTINUOUS COST IMPROVEMENT

- A Production Cost Workshop in January 2004 resulted in the initiation of multiple projects with significant savings potential.
- A new processing line was used as a model for new approaches to cost control, yield improvement, and productivity enhancement.
- Human Resources introduced policies and regular monitoring programs aimed at improving employee attendance.

PACKAGING REVIEW

- A change to styrofoam containers for shipping fresh fillet product resulted in a significant saving approaching \$50,000.

FINANCE AND ADMINISTRATION – INTERNAL REPORTS AND CONTROLS

- Developed capability for electronic customer invoicing.
- Completed preliminary programming work for automation of delivery forecasting from Fish Purchase System database.

- Improvements in raw material shipping notification have been made to promote better plant scheduling.

REGIONAL PROCESSING

- Progress continued with proponents of a processing plant in Saskatchewan.
- Discussions were held with several other potential partners.

OZONE AND CHLORINE DIOXIDE

- Applications of ozone and chlorine dioxide were researched for potential to improve sanitation and reduce costs.

PERFORMANCE INDICATORS

"Returns to fishers", defined as initial payments (net of freight) plus final payments, has been used as a simple, obvious performance indicator. Returns to fishers are reported in aggregate and by species pool from April 30, 1995 (see page 10).

Last year, an index of returns to fishers in the form of a three-year moving average was reported for the first time and has been continued this year. The three-year moving average:

- Clearly shows trends over time, while moderating the effect of year-to-year variations
- Smooths out environmental cycles
- Accounts for inventory carry-over (i.e. fish caught in one year can be sold in the next).

The current three-year moving average for total payments to fishers has fallen by \$1.5 million or 4%. This is the first decline in this index since 1998.



EARNING RESPECT AND RECOGNITION

Our goal: To earn support for the Corporation's mandate from a majority of the commercial fishers we serve.

FISHER PROFILE SURVEY

- Comprehensive issues, attitudes and demographics survey undertaken by Probe Research and coordinated by Cross Cultural Consulting.
- The survey final report was completed in April 2004.
- FFMC was one participant among several federal and provincial agencies who co-sponsored.
- Executive Summary and Highlights are included as a special supplement.
- The results will be used as a base-line for future surveys.

MANAGEMENT INTERNSHIP PROGRAM

- The Corporation's Aboriginal intern program is now in its second year.
- The objective of the program is to improve Aboriginal representation within corporate management.

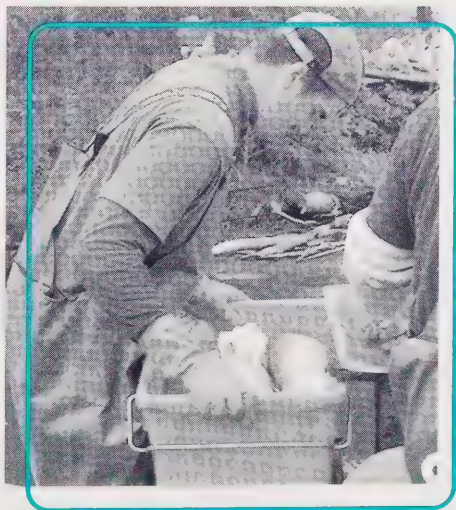
ENHANCED STAKEHOLDER AND EMPLOYEE RELATIONS

- The Corporation again recognized employees for past service (ten employees reached the 25-year mark and five achieved 30 years of service).
- Personnel policies were updated and presented to employees.

PERFORMANCE INDICATORS

As indicated in the results from the Fisher Profile Survey, over 7 in 10 fishers have expressed their support for the mandate of the Corporation. We will strive to improve on this level of support as we continue to focus on the important issues identified in the survey.

The benchmark provided by the Fisher Profile survey will enable a process whereby the Corporation, employing smaller, more efficient samples, can monitor fishers' issues and attitudes at regular intervals. The first repeat survey is scheduled for 2007.



Employee Recognition 30 YEARS SERVICE



Alfred Flett



Charles Taylor



Gary Kostiak



Marsha McCumber

Betty Ploschak

(photo unavailable)

TEN YEAR FINANCIAL SUMMARY

SUMMARY

FISCAL YEAR ENDED APRIL 30, 2004 (All amounts in millions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales	\$43.7	\$47.1	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3
Net Income Before Final Payments	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)
Initial Payments To Fishers	\$24.8	\$30.3	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7
Net Income Plus Initial Payments To Fishers	\$29.3	\$33.0	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9
Accounts Receivable - Trade	\$4.2	\$4.5	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9
Inventory – Finished Fish Products	\$3.5	\$6.7	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4
Inventory – Packaging Material and Parts	\$0.9	\$1.1	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9
Capital Assets – Net Book Value	\$7.6	\$7.5	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7
Loans Payable	\$7.0	\$11.1	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks, such as the net income loss that occurred during this fiscal year as a result of the sharply (12%) lower U.S.-to-Canadian dollar exchange rate. This situation caused a decrease in Retained Earnings of \$0.8 million.

FISHERS

HOW FISHERS ARE PAID

The Freshwater Fish Marketing Act mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets for underutilized species. Then, initial prices are set at above-justified levels for limited quantities to secure production for testing new markets.

The Corporation's policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes generally, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. A temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Auditor's Office, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results.



PRODUCT DELIVERIES & FINANCIAL RETURNS TO FISHERS BY SPECIES

TEN YEAR SUMMARY (1995-2004), FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of
Dollars (Current Dollars)

¹ Delivered Weight - Round Equivalent Weight
(millions of kilograms)

² Price/Round Kg. - Based on Initial Payment plus
Final Payment

³ Initial Payments - Net of Freight

⁴ Three Year Moving Average of Total Payments

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Pickereel										
Delivered weight ¹	3.0	3.1	2.6	2.8	3.7	4.6	5.7	5.1	5.1	5.6
Price/Round Kg. ²	\$4.00	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45
Initial Payment ³	\$8.2	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3
Final Payment	\$3.8	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0
Total Payment	\$12.0	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3
3 Yr. Moving Avg. ⁴	\$11.5	\$11.5	\$11.6	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9
Whitefish										
Delivered weight ¹	6.3	6.4	6.4	5.5	5.3	5.6	6.5	6.8	7.0	6.7
Price/Round Kg. ²	\$0.97	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10
Initial Payment ³	\$6.1	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4
Final Payment	\$0.0	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0
Total Payment	\$6.1	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4
3 Yr. Moving Avg. ⁴	\$4.5	\$5.3	\$6.1	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9
Northern Pike										
Delivered weight ¹	1.9	2.5	2.4	2.4	2.7	2.8	2.6	2.5	2.4	2.3
Price/Round Kg. ²	\$0.68	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65
Initial Payment ³	\$1.3	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0
Total Payment	\$1.3	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5
3 Yr. Moving Avg. ⁴	\$1.8	\$1.5	\$1.6	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7
Sauger										
Delivered weight ¹	1.7	1.3	1.1	1.0	1.1	1.0	0.6	0.7	0.8	0.8
Price/Round Kg. ²	\$2.71	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13
Initial Payment ³	\$4.3	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5
Final Payment	\$0.3	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0
Total Payment	\$4.6	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5
3 Yr. Moving Avg. ⁴	\$3.9	\$4.1	\$4.2	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8
Mullet										
Delivered weight ¹	0.9	3.7	4.7	3.7	3.9	5.8	5.4	5.0	5.4	3.9
Price/Round Kg. ²	\$0.44	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26
Initial Payment ³	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0
3 Yr. Moving Avg. ⁴	\$0.4	\$0.6	\$0.9	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3
Perch										
Delivered weight ¹	0.4	0.5	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.3
Price/Round Kg. ²	\$4.00	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00
Initial Payment ³	\$1.3	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9
Final Payment	\$0.3	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0
Total Payment	\$1.6	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9
3 Yr. Moving Avg. ⁴	\$0.9	\$1.3	\$1.4	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8
Other										
Delivered weight ¹	1.0	1.2	1.6	1.2	1.3	1.3	1.3	1.3	1.6	1.1
Price/Round Kg. ²	\$0.60	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73
Initial Payment ³	\$0.5	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8
Final Payment	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0
Total Payment	\$0.6	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8
3 Yr. Moving Avg. ⁴	\$0.7	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9
All Pools										
Delivered weight ¹	15.2	18.7	19.1	16.8	18.2	21.3	22.3	22.0	22.8	20.7
Price/Round Kg. ²	\$1.75	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61
Initial Payment ³	\$22.1	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4
Final Payment	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0
Total Payment	\$26.6	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4
3 Yr. Moving Avg. ⁴	\$23.8	\$25.1	\$26.7	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3

A photograph of two commercial fishers on a wooden dock. In the foreground, a man wearing a white long-sleeved shirt, a blue baseball cap, and bright yellow rubber boots is leaning over, handling a large, flat, woven fish trap. In the background, another man wearing a grey baseball cap, a plaid shirt, and a tan safety vest stands looking towards the right. The dock is made of wooden planks, and a body of water with a forested shoreline is visible in the background under a bright, hazy sky.

A Snapshot of Responses from the FISHER PROFILE SURVEY

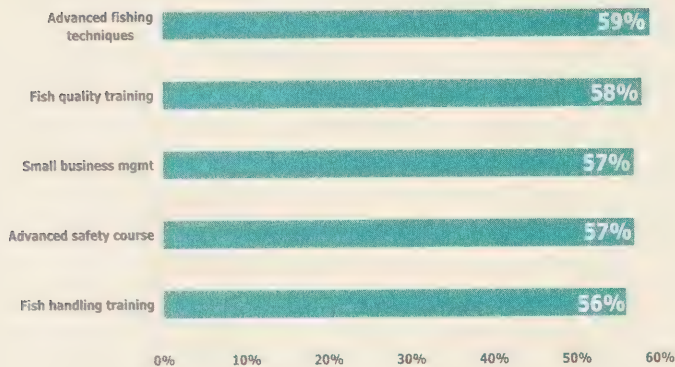
An independent study of demographics, issues and attitudes of Western inland commercial fishers, completed by Probe Research in March 2004 and co-sponsored by:

- Indian and Northern Affairs Canada
- The Federal Interlocutor for Métis
- Fisheries and Oceans Canada
- Freshwater Fish Marketing Corporation
- Government of Manitoba: Sustainable Development Innovations Fund
- Manitoba Hydro
- The Western Diversification Fund

Understanding Western Inl

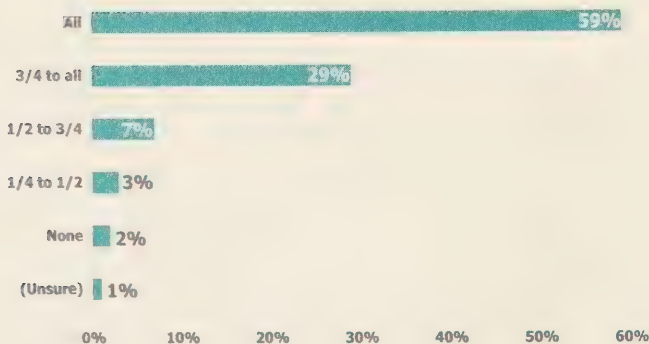
Desire for Training Courses (Aided)

Q: "I'd like you to tell me if you believe this type of course would help you personally to be a better fisher?"



Proportion of Total Catch Delivered to FFMC

Q: "Approximately what percentage of your entire catch did you deliver to the FFMC last year? Here I'm talking about your total catch from all species combined. Was it...?"

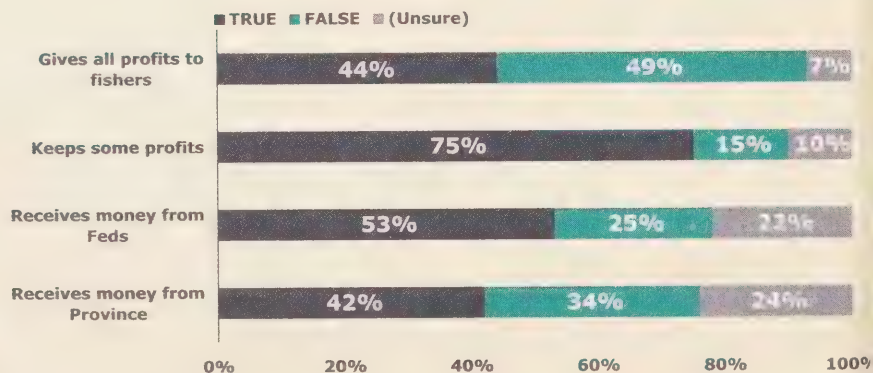


EXECUTIVE HIGHLIGHTS

- Over nine in ten commercial freshwater fishers are men and the median age is 45 years.
- The large majority (74%) has high school education or less.
- With a median fishing income of \$10,000, supplemental job or social-support income is necessary to sustain the basic standard of living for many.
- Only 52% consider themselves "full time" fishers, meaning that fishing is their primary source of income.
- On average, fishers spend 13.2 weeks per year actively engaged in fishing.
- Approximately 75% identified their ethnic origin as "First Nations" or "Métis".
- A majority was interested in specific training courses such as: fish quality training, small business management and advanced fishing techniques.
- A majority assign high importance to most aspects of the FFMC mandate and were supportive of FFMC's continued commitment to ensuring high prices for fish, developing new export markets and enforcing and maintaining quality standards.
- Fishers offered a positive overall performance rating to the FFMC. First Nations fishers were more positive in their assessment of the Corporation.

Perceptions of FFMC's Handling of Finances

Q: "Please indicate if you believe each of the following statements are true or false descriptions of the way the FFMC handles its financial affairs."



Commercial Fishers

Seven in ten support the current single-desk marketing arrangement and favour the status quo when it comes to the FFMC's current role as the exclusive freshwater fish marketing and export body.

Concerns about low or declining fish prices were consistently raised in all regions.

Approximately 20% are uncertain as to which organization or governmental authority is responsible for overseeing specific aspects of the fishing industry.

Most are unclear regarding the realities of the FFMC's financial structure and protocol including profit allocation. Similar uncertainty exists as to whether or not the Corporation is subsidized by the Federal or Provincial governments.

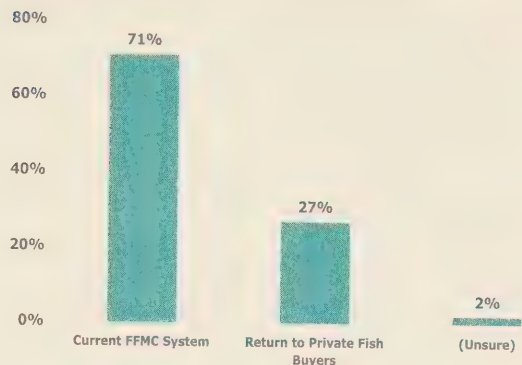
Less than one-half are aware of specific communication vehicles used by the FFMC including its Lake-to-Plate newsletter and annual/quarterly reports.

Most are optimistic about the future of their local fisheries although only 22% are strongly convinced that this industry will survive and prosper.

More than one-half of surveyed fishers report having a child or children whom they believe will carry on the family tradition of commercial freshwater fishing.

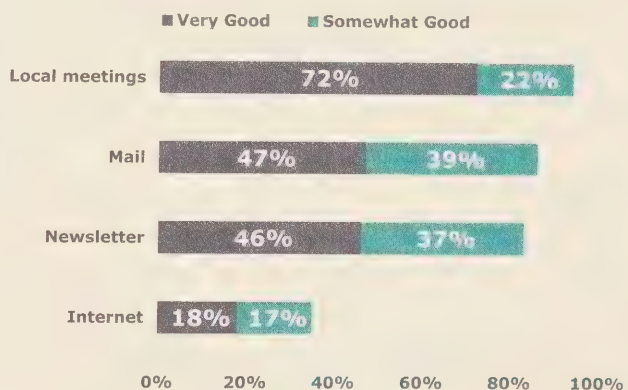
Attitudes Toward Alternative Fish Marketing Arrangements

Q: "As you may know, the FFMC has been exclusively responsible for inter-provincial and international marketing of freshwater fish since 1969. If you had to pick only one, which of the following fish buying and marketing arrangements would you prefer?"



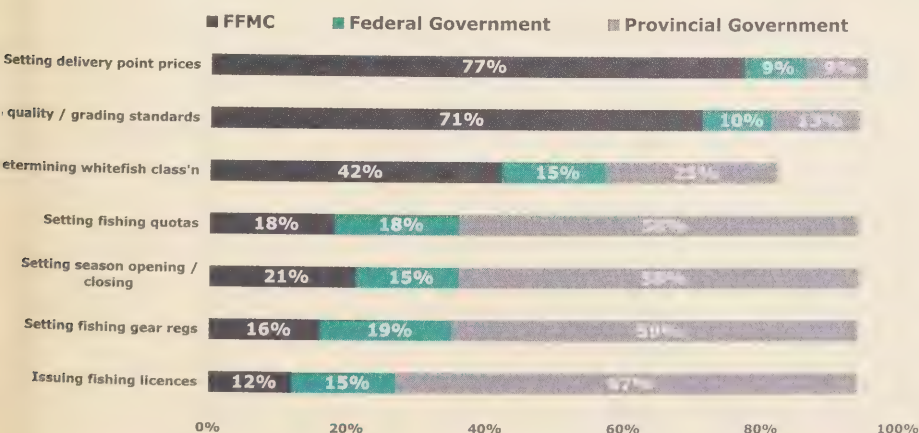
Preferred Channels of Communication

Q: "I'm going to read you a list of some of the ways that FFMC may communicate with you. For each one, I'd like you to tell me whether this would be a good way or a poor way of staying in touch with you."



Perceived Government/Agency Responsibility

Q: "I'd like you to tell me whether you think the federal gov't, the provincial gov't or the FFMC is mainly responsible for the following things..?"



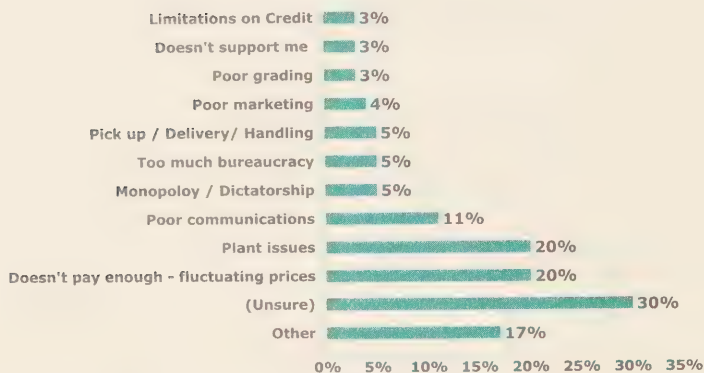
Perceived FFMC Strengths (Unaided Total Mentions)

Q: "And what would you say is the best thing about the FFMC?"



Perceived FFMC Weaknesses (Unaided Total Mentions)

Q: "And what would you say is the worst thing about the FFMC?"



BACKGROUND AND OBJECTIVES

There has been a long-standing concern at Freshwater Fish Marketing Corporation about communication with the Corporation's largest and most important stakeholder group, the fishers. After more than thirty years in business, Freshwater Fish Marketing Corporation was aware of a need to consider how to fulfill its mandate for exclusive rights in the export fish market within an altered social and economic environment. A requirement for a clear identification of these stakeholders and an understanding of their needs and concerns was the impetus behind the Fisher Profile Survey.

Cross Cultural Consulting Inc. was recruited as the project coordinator and its role included contact with the funding sponsors. Western Opinion Research Inc. provided early work on designing the survey. Probe Research Inc. gathered, interpreted and reported the survey data, completing that work in March 2004. Survey participants were drawn from a list of 2,889 fishers who delivered to Freshwater Fish Marketing Corporation the previous year. A massive sample of 800 has provided relevant information on fishers in six sub-regions: Southwest Manitoba, Lake Winnipeg, Northern Manitoba, Saskatchewan, Alberta and the Northwest Territories.

The Fisher Profile Survey has provided Freshwater Fish Marketing Corporation and government stakeholders with a current assessment of support for the Corporation's mandate. Freshwater Fish Marketing Corporation now has a benchmark on which to base future assessments of its performance in the eyes of its fishers. In addition, the Fisher Profile Survey provides the foundation for a more effective communications strategy for fishers.



FOR FURTHER INFORMATION OR INQUIRIES, CONTACT:
EXECUTIVE ASSISTANT
FRESHWATER FISH MARKETING CORPORATION
1199 PLESSIS ROAD, WINNIPEG, MANITOBA, CANADA
R2C 3L4
PHONE (204) 983-3112
EMAIL: EXECASSISTANT@FRESHWATERFISH.COM
WWW.FRESHWATERFISH.COM

April 30, 2004

MANAGEMENT'S REPORT**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for doubtful accounts receivable and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit studies, which consists of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
June 25, 2004

AUDITOR'S REPORT



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2004, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 25, 2004

BALANCE SHEET

As at April 30, 2004 (in thousands of dollars)

ASSETS**Current**

Cash	\$ 149	\$ 133
Accounts receivable	8,280	7,149
Inventories (Note 3)	15,288	14,595
Prepaid expenses	71	61

23,788 21,938

Capital assets (Note 4)

6,702 6,876

\$ 30,490 \$ 28,814**LIABILITIES****Current**

Accounts payable and accrued liabilities	\$ 4,080	\$ 4,478
Provision for final payments to fishers	-	6,183
Loans payable (Note 5)	23,088	14,000
	27,168	24,661

Contingencies (Note 11)

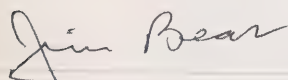
RETAINED EARNINGS

Retained earnings

3,322 4,153

\$ 30,490 \$ 28,814*The accompanying notes are an integral part of the financial statements.*

Approved by the Board:



Chairman



Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended April 30, 2004 (in thousands of dollars)	2004	2003
OPERATIONS		
Sales (Note 6)		
Export	\$ 46,545	\$ 53,619
Domestic	13,716	13,147
	60,261	66,766
Cost of sales		
Opening inventory of finished fish products	13,682	10,862
Add fish purchases and processing expenses:		
Initial payments to fishers	35,689	37,710
Salaries, wages and benefits (Note 8)	8,970	8,519
Packing allowances and agency operating costs	5,471	5,256
Packaging and storage	3,589	3,141
Utilities and property taxes	1,317	1,273
Amortization of production assets	1,235	1,133
Repairs and maintenance	703	765
Other	453	391
	71,109	69,050
Less ending inventory of finished fish products (Note 3)	(14,383)	(13,682)
	56,726	55,368
Gross profit on operations	3,535	11,398
Marketing and administrative expenses		
Salaries and benefits (Note 8)	2,075	2,067
Interest and foreign exchange gains and losses (Note 7)	1,085	1,233
Data processing, office and professional services	645	667
Amortization of administration assets	225	235
Advertising and promotion	248	272
Meeting fees and expenses	149	143
Other	(61)	598
	4,366	5,215
Income (loss) before provision for final payments to fishers	(831)	6,183
Provision for final payments to fishers	-	6,183
Net income (loss) for the year (Note 9)	(831)	-
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	\$ 3,322	\$ 4,153

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2004 (in thousands of dollars)

CASH PROVIDED BY (used for)**Operating activities**

	2004	2003
Net income (loss) for the year	\$ (831)	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,460	1,368
Loss on disposal of capital assets	30	49
Net changes in non-cash working capital balances relating to operations	(2,232)	(1,084)
Decrease in provision for final payments to fishers	(6,183)	(1,220)

Cash used for operations

	(7,756)	(887)
--	----------------	--------------

Investing activities

Additions to capital assets	(1,318)	(1,607)
Proceeds on disposal of capital assets	2	3

Cash used for investing activities

	(1,316)	(1,604)
--	----------------	----------------

Financing activities

Increase in loans payable	9,088	2,481
---------------------------	-------	-------

Cash provided by financing activities

	9,088	2,481
--	--------------	--------------

Increase (decrease) in cash during the year

	16	(10)
--	-----------	-------------

Cash at beginning of year

	133	143
--	------------	------------

Cash at end of year

	\$ 149	\$ 133
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The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2004

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$29 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost or net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Capital Assets

Capital assets are recorded at cost.

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

FINANCIALS

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transactions. Amounts receivable and payable denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rate. Foreign exchange gains and losses incurred on the settlement of amounts receivable and payable denominated in a foreign currency are included in interest and foreign exchange gains and losses.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation are both required to contribute to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Use of Estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. INVENTORIES (in thousands of dollars)

	2004	2003
Finished fish products	\$ 14,383	\$ 13,682
Packaging material and supplies	905	913
	\$ 15,288	\$ 14,595

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2004

4. CAPITAL ASSETS (in thousands of dollars)

	2004		2003
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 336	\$ -	\$ 336
Buildings	7,831	5,546	2,285
Equipment	18,885	15,612	3,273
Fresh fish delivery tubs	731	319	412
Vessels	490	286	204
Construction in progress	192	-	192
	\$ 28,465	\$ 21,763	\$ 6,702
			\$ 6,876

5. LOANS PAYABLE (in thousands of dollars)

	2004	2003
Promissory note	\$ 5,488	\$ -
Bankers acceptances	17,600	14,000
	\$ 23,088	\$ 14,000

The bankers acceptances are unsecured, bear interest at 2.05% (2003 - 3.30%) and mature on May 5, 2004.

The \$4,000,000 U.S. dollar denominated promissory note (\$5,488,400 Canadian dollar) is unsecured, repayable in U.S. dollars, bears interest at 1.49% and matures on September 1, 2004.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,026,732 (2003 - \$1,000,393) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$936,304 (2003 - \$927,101) of commissions paid to foreign sales agents.

7. INTEREST AND FOREIGN EXCHANGE GAINS AND LOSSES

Interest and foreign exchange gains and losses of \$1,084,648 (2003 - \$1,233,491) includes interest of \$678,447 (2003 - \$496,892) and a net foreign exchange loss of \$406,201 (2003 - \$736,599).

Interest paid during the year amounted to \$678,284 (2003 - \$508,709).

Foreign currency risk is the risk that changes in exchange rates between the Canadian dollar and foreign currencies may adversely affect the Corporation's operating and financial results. The Corporation generates a significant portion of its sales in U.S. dollars and does not use derivative financial instruments to hedge its exposure to this foreign currency risk.

8. PENSION PLAN

The Corporation's share of the total contributions paid to the employee pension plan for the current year was \$643,563 (2003 - \$673,758).



9. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2003 - nil). At April 30, 2004 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$1,997,000 (2003 actual - \$2,024,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

11. CONTINGENCIES

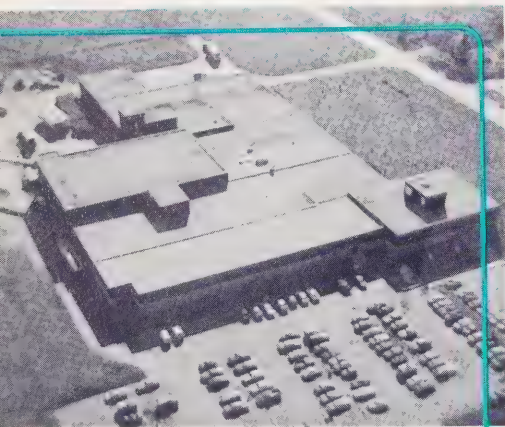
The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

12. COMPARATIVE FIGURES

Certain 2003 comparative figures have been restated to conform with the current year's presentation.

CORPORATE GOVERNANCE

GOVERNANCE



A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2003/2004 fiscal year, seven of those Directors were fishers and six were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent.

The Corporation's Board members met six times in Winnipeg during the fiscal year. The main purpose of four meetings was to review corporate results for each quarter. A Quarterly Report is provided to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region. The fifth session was held in July 2003 to review and approve the Annual Report for 2002/2003. A sixth special session was devoted to a review of the 2004/2005 forecasts and budget, and approval of the Corporate Plan submitted to the Treasury Board.

The Board considered five applications under the Export Dealers Licence policy and approved none, while renewing two.

Chairman Jim Bear travelled to Ottawa to meet with the new Minister of Fisheries and Oceans, Honourable Geoff Regan, in February and April 2004. Chairman Jim Bear and other Board members attended numerous meetings with fishers and community leaders.

Major conferences or annual meetings attended included the Northwest Territories Fishermen's Federation, Seafood Value Chain Roundtable, Alberta Commercial Fishermen's Association, Saskatchewan Cooperative Fisheries Ltd., and the National Seafood Sector Council board.

Director Robert T. Kristjanson completed 6 years of service on the Board at the end of 2003. The Director appointed in his place is Ron Ballantyne, a self-employed commercial freshwater fisher for more than twenty-five years. Mr. Ballantyne was a councillor with the Grand Rapids First Nation and has worked part-time for twenty years in the court worker program. Current member Ed Isfeld was reappointed as a federal representative for Manitoba.

BOARD

BOARD OF DIRECTORS



Jim Bear

Chairman of the Board
Scanterbury, Manitoba
Occupation: Political Advisor
Southeast Tribal Council
Served on FFMC Board: 3 years



Robert F. Hand

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 4.5 years



Robert T. Kristjanson

Gimli, Manitoba
Occupation: Fisher
Served on FFMC Board: 6 years
(Retired Dec 2003)



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 8 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 8 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 5.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 14 years



David McArthur

Lac La Biche, Alberta
Occupation: (Retired) Executive Director
Alberta Commercial Fishermen's Association
Served on FFMC Board: 23 years



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 5 years



Terry Hansen

Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 1.5 years



Ron Ballantyne

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: .5 year (new member)

CORPORATE OFFICERS

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com

CORE VALUES

We will provide a working environment that recognizes employee value and fosters innovation and respect.

We will be open, honest and accountable.

We will strive to exceed customer expectations for quality, service and reliability.

We will be vigilant in all we do to ensure the sustainability of the inland fishery.

We will treat everyone fairly and with respect.

Above all, we will be governed by our responsibilities to fishers.



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www.freshwaterfish.com

CA1
FS100
- A56



2004-2005

Annual Report

Building Marketing Strength for Canada's Freshwater Fishers

OUR MISSION

*"To be the **leading marketer** of freshwater fish products,*

***respected and recognized** for high-quality, dependable*

*supply, excellent customer value and **increasing returns to fishers.**"*

Building Marketing Strength for Canada's Freshwater Fishers



TABLE OF CONTENTS

Page 2	Letter of Transfer
Page 3	President's Report
Page 4	Corporate Profile
Page 5	Highlights and Accomplishments
Page 6	Strategic Directions
Page 10	Ten-Year Financial Summary
Page 11	How Fishers are Paid
Page 12	Product Deliveries and Financial Returns to Fishers by Species
Page 13	Financial Statements
Page 22	Corporate Governance
Page 23	Board of Directors / Corporate Officers
Page 24	FFMC's Overview of the Recently Completed "Special Examination"

LETTER OF TRANSFER

FROM CHAIRPERSON OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS

Honourable Geoff Regan
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Regan:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2005.



The Corporation welcomes its newest Director, Bob Paterson, appointed as the Ontario representative at the beginning of the 2004/05 fiscal year for a three-year term.

As required under Part X of the *FAA*, the Office of the Auditor General undertook a scheduled Special Examination of the Corporation during the past fiscal year. Their findings were presented to the Board in March 2005. We are pleased to report that there were no significant deficiencies identified in the systems and practices that were examined. The full report will be made public through our website at www.freshwaterfish.com.

The results of the Special Examination, together with the findings of the Fisher Profile Study from 2003/04, provide independent confirmation that the Corporation is managed competently and has strong fisher support for its single-desk marketing mandate. The Board, management and staff will continue to focus all our efforts to serve the best interests of our fishers and thereby retain their ongoing trust and confidence.

Respectfully,

A handwritten signature in dark ink that reads "Jim Bear". The signature is fluid and cursive, with the first name "Jim" and last name "Bear" clearly distinguishable.

Jim Bear
Chairman of the Board

PRESIDENT'S REPORT

The 2004/05 fiscal year produced mixed results. Sales were 3.3% lower than the previous year, while fish deliveries and initial payments to fishers were off by 13.8% and 14.6% respectively. The U.S. to Canadian dollar exchange rate continued its decline with a further erosion equivalent to approximately \$1.8 million in sales and returns to fishers.

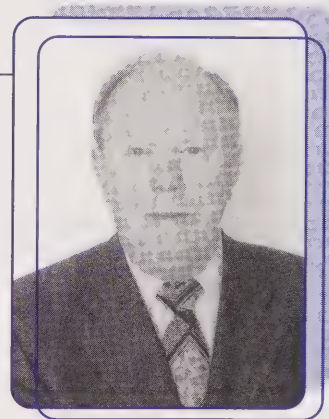
On the positive side, profitability was restored following a rare loss in 2003/04. In addition, there was encouraging progress in the development of new whitefish products, markets, and the cost of new value-added products. We were also able to significantly reduce finished product inventory levels, as well as the year-end loan balance.

There are difficult challenges ahead as we adapt to a strong Canadian dollar. The necessary short-term measures have been taken with lower initial prices to fishers and a freeze on all non-essential expenditures. In the long-term, we must improve market value through product and market development and diversification, along with improved productivity throughout the system. In this regard, the Corporation has embarked on an aggressive multi-year program with the objective of restoring fisher earnings to the record levels achieved a few short years ago.

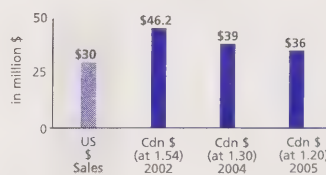
Respectfully,



Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba



Impact of Strengthening Canadian Dollar on U.S. Sales Revenue
(in millions \$)



- *Whitefish, **Coregonus clupeaformis**, is part of the large salmon family, which includes salmon, trout, whitefish and grayling. It is widely distributed in fresh water from the Great Lakes to the Arctic coast.*



CORPORATE PROFILE

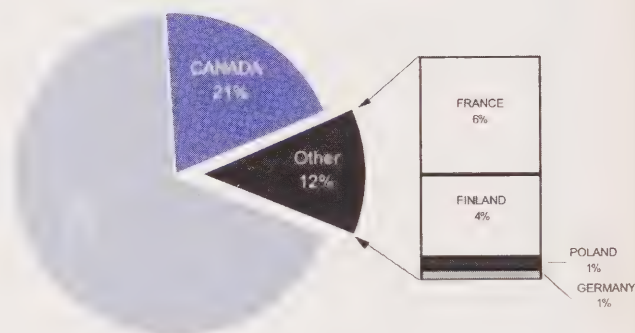
Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, governs the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2004/05 fiscal year, six of

those Directors were fishers and six were Aboriginal. A four-member senior management team assists the President and forty-six full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Thirty-five contracted agents and three corporate agencies grade and purchase fish at sixty-eight delivery points. Approximately 2,500 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to market

Export Markets (Based on sales in dollars)



fish interprovincially and internationally. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland and northern pike in France. The Corporation plant is kosher-certified and the largest supplier of fish to the gefilte fish market.



- *Freshwater Fish Marketing Corporation receives whitefish from 130 different lakes, but five lakes account for most of it. Lake Winnipeg, Great Slave Lake, Utikuma, Winagami and Southern Indian Lake, in that order, provide about 75% of the whitefish.*



HIGHLIGHTS & ACCOMPLISHMENTS

MARKETING AND SALES

Total sales of \$58.2 million were \$2.0 million or 3.3% below the previous fiscal year. There were sales increases for pickerel, sauger and northern pike offset by lower sales for the other species, particularly mullet, perch and whitefish. In the case of whitefish, the sales value was down but the volume (weight) sold was approximately the same.

Fresh shipments accounted for 27% of all sales, compared to 29% last year. The decline resulted from a shortage of supply during peak fresh sales periods.

Total sales by weight (kilograms sold) were off by 1.8 million kgs. (round weight equivalent) or 8%, most of which was mullet.

Net average market prices for most products/species were weaker, reflecting a reduced exchange rate and price pressure from competitive supply.

FISHER RETURNS

Total fish deliveries were 17.7 million kgs. (round equivalent weight), which was 2.9 million kgs. or 13.8% less than 2003/04.

- Lower deliveries were recorded for all species other than pickerel and for all regions, with the exception of pickerel in Manitoba and Alberta (up 2.3% and 55.8% respectively), and northern pike and mullet in Saskatchewan (increased 1.9% and 15.3% respectively).
- There are several contributing factors for the decline in deliveries, including lower initial prices, difficult winter fishing conditions and limits placed on mullet deliveries (mullet deliveries alone being down 1.1 million kgs.).
- As a result of reduced initial prices and less deliveries, total initial payments to fishers (net of freight) at \$28.4 million were 14.6% below the last fiscal year.

COST OF OPERATIONS

- Marketing and administrative expenses were less than the previous year, as were plant repair, maintenance and utility costs. Costs of company-operated agencies were also reduced.
- Direct labour cost per unit of production did not increase but the overall unit cost was generally higher. This resulted from increases in several

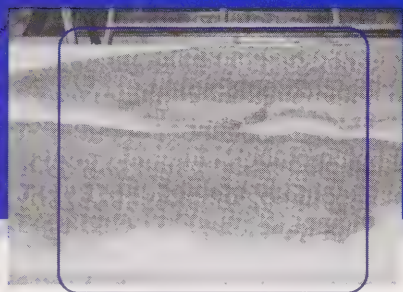
indirect cost items and these increases (along with the fixed plant overheads) being prorated over a reduced level of production.

- The level of capital expenditures was the lowest in many years, as all but essential renewal investment was deferred during a time of restraint.

FINANCIAL ISSUES

- The net income of \$1.4 million compared to a net loss of \$0.8 million last year. The \$2.2 million difference can be attributed to lower initial prices to fishers and, to a lesser extent, cost improvements.
- The U.S.-to-Canadian dollar exchange rate continued its slide with further erosion of 4.2% in the average realized value. This has had a negative impact equivalent to approximately \$1.8 million on sales value and returns to fishers. The accumulated exchange rate impact over the last two fiscal years is now close to \$8.0 million annually.
- The Board has approved full payout of net income as final payments in the appropriate species pools.

- *Two years ago, the Corporation identified as its highest priority the development of new products and markets for whitefish... The objective is to have sufficient market options so that all potential whitefish deliveries can be absorbed at prices that can provide attractive returns to fishers.*



STRATEGIC DIRECTIONS

The 2004/05 fiscal period was the fourth full year of operation under the Corporation's Strategic Directions plan. The program focuses on three key goals: sustaining market leadership, increasing returns to fishers, and earning respect and recognition.

SUSTAINING MARKET LEADERSHIP

OUR GOAL: TO BE THE
SUPPLIER OF CHOICE IN
THE MARKETS WE SERVE
BASED ON QUALITY,
SERVICE AND RELIABILITY

OUR STRATEGIES:

WHITEFISH MARKET/PRODUCT DEVELOPMENT

Whitefish is the Corporation's single largest volume species, representing approximately one-third of all deliveries. Traditional markets include Finland, Great Lakes regions in Canada and the U.S., and Jewish distributors in New York City. Historically, most of the whitefish was sold either as a fresh or frozen whole eviscerated product to smokers or re-processors, or as a minced product to be used as an ingredient for gefilte fish.

Two years ago, the Corporation made it the highest priority to develop new products and markets for whitefish in an effort to break the historic boom-and-

bust cycle associated with the traditional niche markets. The objective is to have sufficient market options so that all potential whitefish deliveries can be absorbed at prices that can provide attractive returns to fishers. Extensive market and consumer research, along with product development initiatives, have resulted in the launch of promising new value-added items, including vacuum-packed, boned fillets for the Canadian and U.S. retail markets, and boned fillets for foodservice in the U.S. and Finland. In addition, new or expanded markets have been identified in Russia, the Middle East and Poland. These marketing initiatives have been complemented by our Lake-to-Plate quality program and a drive to establish low-cost production capability.

Considerable progress has been achieved to date. Sales of whitefish in new product forms or into new markets increased by approximately 300,000 kgs. (round weight equivalent) or 52% over the previous year. The mid-term objective is to direct at least 2.25 million kgs. (round weight equivalent) into higher-margin new products and/or markets. This will be achieved through marketing and promotional programs, and

leveraging our distribution and brand loyalty strengths in key markets.

BONED NORTHERN PIKE PRODUCTS

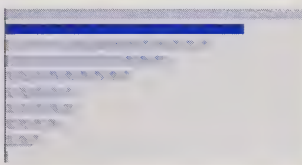
The development and expansion of markets for boned northern pike products in the critical French market continued during 2004/05. The products have been well-accepted and volumes grew to almost 175,000 kgs. in the past fiscal year. The product preference in France is shifting from a boned fillet to a size-controlled portion. In addition, a boned retail package was launched in the North American market. Plans call for the continued conversion of the French market to boned products, expanding retail sales in North America and developing the foodservice (restaurant) market. Removing bones from northern pike is extremely labour-intensive and has proven to be cost-prohibitive to do in Canada. For this reason, these boned products will continue to be produced in China.

MULLET MARKETING ALTERNATIVES

The inability to meet contracted volumes required by a customer who purchased all non-kosher minced mullet forced the Corporation to limit deliveries until more valuable, alternate markets can be found. Although caught in all regions, mullet

Omega-3 Content of Selected Fish Species

Salmon, Atlantic
Whitefish
Salmon, Sockeye
Salmon, Pink
Trout, Rainbow
Halibut
Catfish, Channel
Snapper
Cod
Orange Roughy



► *Whitefish contains more of the heart-healthy Omega-3 essential fatty acids than most other species. Chefs love the versatility of this white-fleshed fish.*

The Whitefish Experience was held in January 2005 in Gimli, Manitoba for selected U.S. customers in the restaurant business.



deliveries are mainly concentrated in western Manitoba and northern Saskatchewan, and mullet is an important source of income for about 300 fishers. Important markets for mullet were protected by increasing initial prices to fishers and better managing the supply chain. Efforts are underway to expand kosher sales in both the U.S. and Israel and to develop a mullet roe market. A pilot study will be undertaken to test the symmetrical-block commodity market.

PICKEREL / WALLEYE PROMOTION

This species accounts for 25% of all deliveries by weight but over 50% of the value of all sales. Much consumer research and customer relations-building has gone into these markets over the last several years. Most recently, a Customer Loyalty Program has been designed and implemented based on a market-pull strategy with restaurant operators. These efforts will continue with the goal of securing established market leadership against competition from eastern European substitutes.

MARKET DIVERSIFICATION

The U.S. is the Corporation's most important market. It accounts for 59% of all sales by weight but 67% by value. The exchange rate issue has illustrated the risks inherent in concentrating sales into one export market. Therefore, and with the distinct possibility of an even stronger Canadian dollar, efforts will be intensified to increase sales into non-U.S. markets, particularly into Canada. The U.S. will remain the single largest market but the goal will be reducing the U.S. share of dollar sales to a maximum of 60%.

OPTIMIZED INVENTORY LEVELS

Over the last three years, the Corporation has had higher-than-desired levels of inventory for whitefish and northern pike as deliveries outpaced sales. The Corporation responded through intensified new product and market development and promotion. These actions have resulted in inventories of these two species decreasing by 20% and 30% respectively over the last year. Continued pursuit of these strategies may result in similar inventory decreases in 2005/06.

LAKE-TO-PLATE QUALITY PROGRAM

The Lake-to-Plate program was launched in 2003/04 in order to upgrade the quality of our raw material from the time it is caught until it is consumed. All facets of the process flow were reviewed for quality enhancement, including harvesting, shipping, storage and processing. In addition, periodic newsletters were distributed to fishers, providing quality tips and feedback from the marketplace.

A major initiative now underway is to evaluate the quality benefits of shipping fish from the lakes to the plant in larger containers, with an ice water slurry. This system is gentler on the fish and promotes more consistent chilling. About 30% of all deliveries were shipped in this manner in 2004/05. The results were encouraging, with evidence of firmer fish, extended shelf life and fewer customer complaints. There were direct labour savings in handling costs, but there are also higher container return freight costs.

Studies are underway to determine the value of the improved quality before full conversion proceeds.

PERFORMANCE INDICATORS

A base-line customer survey was conducted by Probe Research in 2001 to determine whether FFMC was the supplier of choice with regard to service, quality and reliability. This survey was completed in April 2004 and additionally, valuable information was gathered in regards to new market opportunities. A condensed summary of both results are presented in the table below.

The 2004 results were generally lower than in 2001, particularly for service and reliability. Out-of-stock incidents for prime sizes of pickerel and customer concerns with timely communication were the indicated reasons. These issues are being addressed on a go-forward basis.

In October 2004, a letter was sent to all customers summarizing the results of the survey and outlining a new policy to improve customer response time. We expect that the next scheduled survey in 2006 will reflect the corrective action taken.

Factor	2001 Score	2004 Score
Service	4.3 out of 5.0	3.8 out of 5.0
Quality	4.4 out of 5.0	4.3 out of 5.0
Reliability	4.4 out of 5.0	3.9 out of 5.0
Overall Performance	7.7 out of 10.0	7.2 out of 10.0

Whitefish – the largest volume species



➤ *Historically, whitefish has accounted for at least one-third of all deliveries. Most lakes are fished below their sustainable level for whitefish. Supply can grow as new markets and new products develop.*

GENERATING INCREASING RETURNS TO FISHERS AND COMMUNITIES

OUR GOAL: TO INCREASE TOTAL RETURNS TO FISHERS, THEREBY ENHANCING THE BENEFITS TO THEM AND THEIR COMMUNITIES.

OUR STRATEGIES:

CONTINUOUS COST IMPROVEMENT

The Corporation's Continuous Cost Improvement Program led to significant changes over the last three years. A new whitefish processing line, a new whole fish grader, modified fish scalers and an upgraded scale control system have been installed. There were two facilitated Production Cost Workshops (January 2004 and February 2005) involving all levels of management which have provided the impetus for change and innovation.

Improvements in labour efficiency measurement and the reorganization of plant management have helped focus attention on controlling costs. Labour efficiency, measured as a per cent of standard, was improved overall by 2% (from 85% to 87%), representing a \$170,000 saving, compared to the previous year. The addition of a production engineering analyst in the last fiscal year provided the resource needed

to advance continuous improvement to the next level. Initial objectives for yield, labour cost and output for the whitefish processing line were achieved. The rate of workplace injuries dropped from 2.8% of available hours at the close of the 2003/04 fiscal year to 1.5% for 2004/05.

Moving forward, several cost improvement projects are planned or already underway. New filleting machines are being evaluated for replacement of existing machines that are over 25 years old to improve yield, reduce trimming labour and reduce maintenance costs. Opportunities for automating freezer tunnel in-feed, IQF fillet packaging and cold storage stacking functions will be investigated. A PowerSmart program with Manitoba Hydro, set up in 2004/05, will be implemented early in 2005/06, delivering a \$58,000 reduction in energy costs. The production control system will be enhanced with more timely and accurate input for both labour efficiency and product yields.

Processing supervisors will receive training to better respond to issues on a real time basis. A more formal product specification program will ensure that product specifications and processing practices are appropriate for customer requirements and cost-effective for the value received.

PERFORMANCE INDICATORS

"Returns to fishers", defined as initial payments (net of freight) plus final payments, has been used as a simple, obvious performance indicator. Returns to fishers are reported in aggregate and by species pool (see page 12).

Two years ago, an index of returns to fishers in the form of a three-year moving average was reported for the first time and has been continued this year. The three-year moving average:

- *Clearly shows trends over time, while moderating the effect of year-to-year variations*
- *Smooths out environmental cycles*
- *Accounts for inventory carry-over (i.e. fish caught in one year can be sold in the next).*

The current three-year moving average for returns to fishers has declined by \$3.5 million, or 9%, since last year (p.12). This marks the second consecutive year in which this index decreased after a consistent upward trend from 1998 to 2003. Lower prices in the past two years, and reduced deliveries in 2004/05, account for the declining trend in this crucial performance indicator.

Whitefish Deliveries by Region



► *Whitefish is produced in all regions, but it is relatively more important to fishers in Northwest Territories and Alberta.*

EARNING RESPECT AND RECOGNITION

OUR GOAL: TO EARN SUPPORT FOR THE CORPORATION'S MANDATE FROM A MAJORITY OF THE COMMERCIAL FISHERS WE SERVE.

OUR STRATEGIES:

INTERNAL REPORTS AND CONTROLS

The *Financial Administration Act*, Section 131, requires internal audits to be conducted for each Crown corporation. It is not cost-beneficial for the Corporation to have an internal auditor on staff. In order to comply with Section 131 of the Act, internal audits were undertaken by third party contractors with expertise in the area being examined. One such audit resulted in an exchange rate hedging policy being approved by the Board and implemented for the 2004/05 fiscal year. The average realized exchange rate under this policy was slightly higher than what would have been achieved on the spot market. The audit program will continue to assess risks in one or two areas each year, as approved by the Board of Directors in consultation with management.

STAKEHOLDER RELATIONS

The Corporation has enhanced its communications and dialogue with all stakeholders through a series of ongoing initiatives. These include a website, quarterly reports, newsletters, Special Information bulletins, customer and fisher surveys, corporate presentations and participation by Board members and senior management at regional fisher meetings. This will continue in an effort to be open, accessible and responsive to all those served by our mandate.

In addition, Board policies such as the Export Dealers' Licence and Regional Processing will continue to be used as tools to provide creative flexibility to meet the legitimate needs of fishers.

LABOUR / EMPLOYEE RELATIONS

The Corporation will continue to provide a respectful and inclusive workplace that fosters innovation and recognition. Policies that have been developed recently will be administered fairly and uniformly.

Challenges ahead include reaching a new agreement with our unionized workers in 2005/06. Also, the Corporation is mindful that more progress is needed to increase the representation in staff and management from the Aboriginal community and other visible minorities.

PERFORMANCE INDICATORS

The Fisher Profile Survey indicated that over 7 in 10 fishers support the mandate of the Corporation. We will strive to improve on this level of support as we continue to focus on the important issues identified in the survey.

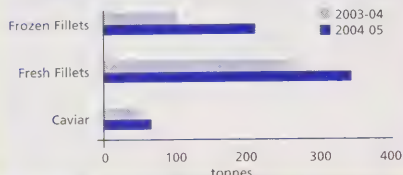
The benchmark provided by the Fisher Profile survey enabled a process whereby the Corporation, employing smaller, more efficient samples, can monitor fishers' issues and attitudes at regular intervals. The first repeat survey is scheduled for 2007.

Employee Recognition 30 YEARS SERVICE



Ralph Kamieniarz

Growth in Whitefish Value-Added Sales



Considerable progress has been achieved to date. Sales of whitefish in new product forms or into new markets increased by approximately 300,000 kgs. (round weight equivalent) or 52% over the previous year.

TEN YEAR FINANCIAL SUMMARY

FISCAL YEAR ENDED APRIL 30, 2005 (All amounts in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales	\$47.1	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3	\$58.2
Net Income Before Final Payments	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)	\$1.4
Initial Payments To Fishers	\$30.3	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7	\$30.4
Net Income Plus Initial Payments To Fishers	\$33.0	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9	\$31.8
Accounts Receivable - Trade	\$4.5	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9	\$7.0
Inventory - Finished Fish Products	\$6.7	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4	\$12.4
Inventory - Packaging Material and Parts	\$1.1	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9	\$1.0
Capital Assets - Net Book Value	\$7.5	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7	\$6.3
Loans Payable	\$11.1	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1	\$18.4
Retained Earnings	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3	\$3.3

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks, such as the net income loss that occurred during the 2003/04 fiscal year as a result of the sharply (12%) lower U.S.-to-Canadian dollar exchange rate. This situation caused a decrease in Retained Earnings of \$0.8 million, to \$3.3 million.



HOW FISHERS ARE PAID

The *Freshwater Fish Marketing Act* mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is

developing new markets or products. Then initial prices are set above market-justified levels to secure production for establishing new markets.

The Corporation's policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. A temporary delivery premium may be offered for a given species to encourage fishers to

harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Office of the Auditor General, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results.

PRODUCT DELIVERIES & FINANCIAL RETURNS TO FISHERS BY SPECIES

TEN YEAR SUMMARY (1996-2005), FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of Dollars (Current Dollars)

¹ Delivered Weight - Round Equivalent Weight (millions of kilograms)

² Price/Round Kg. - Based on Initial Payment plus Final Payment

³ Initial Payments - Net of Freight

⁴ Three Year Moving Average of Total Payments

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Pickarel										
Delivered weight ¹	3.1	2.6	2.8	3.7	4.6	5.7	5.1	5.1	5.6	5.6
Price/Round Kg. ²	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45	\$3.20
Initial Payment ³	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3	\$17.9
Final Payment	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0	\$1.2
Total Payment	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3	\$19.1
3 Yr. Moving Avg. ⁴	\$11.5	\$11.6	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9	\$20.7
Whitefish										
Delivered weight ¹	6.4	6.4	5.5	5.3	5.6	6.5	6.8	7.0	6.7	5.9
Price/Round Kg. ²	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10	\$1.00
Initial Payment ³	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4	\$5.9
Final Payment	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4	\$5.9
3 Yr. Moving Avg. ⁴	\$5.3	\$6.1	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9	\$7.2
Northern Pike										
Delivered weight ¹	2.5	2.4	2.4	2.7	2.8	2.6	2.5	2.4	2.3	1.9
Price/Round Kg. ²	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65	\$0.68
Initial Payment ³	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5	\$1.1
Final Payment	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0	\$0.0
Total Payment	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1
3 Yr. Moving Avg. ⁴	\$1.5	\$1.6	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7	\$1.5
Sauger										
Delivered weight ¹	1.3	1.1	1.0	1.1	1.0	0.6	0.7	0.8	0.8	0.6
Price/Round Kg. ²	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13	\$2.67
Initial Payment ³	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5	\$1.6
Final Payment	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0	\$0.1
Total Payment	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5	\$1.7
3 Yr. Moving Avg. ⁴	\$4.1	\$4.2	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8	\$2.4
Mullet										
Delivered weight ¹	3.7	4.7	3.7	3.9	5.8	5.4	5.0	5.4	3.9	\$2.6
Price/Round Kg. ²	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26	\$0.27
Initial Payment ³	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7
3 Yr. Moving Avg. ⁴	\$0.6	\$0.9	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3	\$1.0
Perch										
Delivered weight ¹	0.5	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.3	0.2
Price/Round Kg. ²	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00	\$3.00
Initial Payment ³	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9	\$0.6
Final Payment	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0	\$0.1
Total Payment	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9	\$0.7
3 Yr. Moving Avg. ⁴	\$1.3	\$1.4	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8	\$1.1
Other										
Delivered weight ¹	1.2	1.6	1.2	1.3	1.3	1.3	1.3	1.6	1.1	0.9
Price/Round Kg. ²	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73	\$0.80
Initial Payment ³	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8	\$0.6
Final Payment	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0
Total Payment	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8	\$0.6
3 Yr. Moving Avg. ⁴	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8
All Pools										
Delivered weight ¹	18.7	19.1	16.8	18.2	21.3	22.3	22.0	22.8	20.7	17.7
Price/Round Kg. ²	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61	\$1.60
Initial Payment ³	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4	\$28.4
Final Payment	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0	\$1.4
Total Payment	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4	\$29.8
3 Yr. Moving Avg. ⁴	\$25.1	\$26.7	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3	\$34.7

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit studies, which consists of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 8, 2005

F I N A N C I A L S T A T E M E N T S



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2005 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 8, 2005

BALANCE SHEET

As at April 30 (in thousands)

ASSETS

Current

Cash	\$ -	\$ 149
Accounts receivable	7,358	8,280
Inventories (Note 3)	13,355	15,288
Prepaid expenses	204	71

Property, plant and equipment (Note 4)

20,917	23,788
6,284	6,702
\$ 27,201	\$ 30,490

LIABILITIES

Current

Bank overdraft	\$ 30	\$ -
Accounts payable and accrued liabilities	4,059	4,080
Provision for final payments to fishers	1,356	-
Loans payable (Note 5)	18,434	23,088
	23,879	27,168

Contingencies (Note 11)

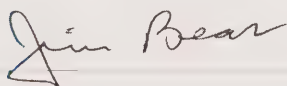
RETAINED EARNINGS

Retained earnings

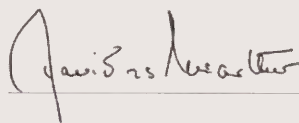
3,322	3,322
\$ 27,201	\$ 30,490

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Chairman



Director

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended April 30 (in thousands)

OPERATIONS

Sales (Note 6)

	2005	2004
Export	\$ 45,134	\$ 46,545
Domestic	13,115	13,716
	<u>58,249</u>	<u>60,261</u>

Cost of sales

Opening inventory of finished fish products	14,383	13,682
Add fish purchases and processing expenses:		
Initial payments to fishers	30,392	35,689
Salaries, wages and benefits (Note 8)	8,458	8,970
Packing allowances and agency operating costs	5,016	5,471
Packaging and storage	3,776	3,589
Utilities and property taxes	1,239	1,317
Amortization of production assets	1,221	1,235
Repairs and maintenance	525	703
Other	366	453
	<u>65,376</u>	<u>71,109</u>
Less ending inventory of finished fish products (Note 3)	(12,386)	(14,383)
	<u>52,990</u>	<u>56,726</u>

Gross profit on operations

Marketing and administrative expenses

	5,259	3,535
Salaries and benefits (Note 8)	1,984	2,075
Interest and foreign exchange gains and losses (Note 7)	634	1,085
Data processing, office and professional services	384	645
Advertising and promotion	301	248
Amortization of administration assets	175	225
Meeting fees and expenses	160	149
Other	265	(61)
	<u>3,903</u>	<u>4,366</u>

Income (loss) before provision for final payments to fishers

	1,356	(831)
--	-------	-------

Provision for final payments to fishers

	1,356	-
--	-------	---

Net income (loss) for the year (Note 9)

	-	(831)
--	---	-------

Retained earnings at beginning of the year

	3,322	4,153
--	-------	-------

Retained earnings at end of the year

	<u>\$ 3,322</u>	<u>\$ 3,322</u>
--	-----------------	-----------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended April 30 (in thousands)	2005	2004
CASH PROVIDED BY (used for)		
Operating activities		
Net income (loss) for the year	\$ -	\$ (831)
Add (deduct) items not affecting cash:		
Amortization	1,396	1,460
Loss on disposal of property, plant and equipment	5	30
Net changes in non-cash working capital balances relating to operations	2,701	(2,232)
Increase (decrease) in provision for final payments to fishers	1,356	(6,183)
Cash provided by (used for) operating activities	5,458	(7,756)
Investing activities		
Additions to property, plant and equipment	(1,014)	(1,318)
Proceeds on disposal of property, plant and equipment	31	2
Cash used for investing activities	(983)	(1,316)
Financing activities		
(Decrease) increase in loans payable	(4,654)	9,088
Cash (used for) provided by financing activities	(4,654)	9,088
(Decrease) increase in cash during the year	(179)	16
Cash at beginning of year	149	133
(Bank overdraft) Cash at end of year	\$ (30)	\$ 149

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2005

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$28 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of Freshwater Fish Marketing Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these financial statements are summarized on the following pages and conform in all material respects to Canadian GAAP.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in interest and foreign exchange gains and losses.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of interest and foreign exchange gains and losses. Derivatives are intended to be held to maturity resulting in the cumulative unrealized gains and losses on individual derivative instruments netting to zero over the life of the instrument.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce all slow-moving or unsellable finished fish inventories to their estimated net realizable value and derivative financial instruments measured at fair value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations. If actual results differ from these estimates, the impact would be recorded in future periods.

3. INVENTORIES (in thousands)

	2005	2004
Finished fish products	\$ 12,386	\$ 14,383
Packaging material and supplies	969	905
	\$ 13,355	\$ 15,288

Fiscal Year Ended April 30, 2005

4. PROPERTY PLANT AND EQUIPMENT
(in thousands)

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	8,089	5,875	2,214	2,285
Equipment	19,412	16,361	3,051	3,273
Fresh fish delivery tubs	592	269	323	412
Vessels	490	315	175	204
Vessels	185	-	185	192
Construction in progress				
	\$ 29,104	\$ 22,820	\$ 6,284	\$ 6,702

5. LOANS PAYABLE (in thousands)

	2005	2004
Promissory note	\$ 5,034	\$ 5,488
Bankers acceptances	13,400	17,600
	\$ 18,434	\$ 23,088

The bankers acceptances are unsecured, bear interest at 2.54% (2004 - 2.05%) and mature on May 3, 2005.

The \$4,000 thousand U.S. dollar denominated promissory note (\$5,034 thousand Canadian dollar) is unsecured, repayable in U.S. dollars, bears interest at 3.30% and matures on May 31, 2005.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,014 thousand (2004 - \$1,027 thousand) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$949 thousand (2004 - \$936 thousand) of commissions paid to foreign sales agents.

7. INTEREST AND FOREIGN EXCHANGE GAINS AND LOSSES

Interest and foreign exchange gains and losses of \$634 thousand (2004 - \$1,085 thousand) includes interest of \$633 thousand (2004 - \$679 thousand), a net foreign exchange gain of \$454 thousand (2004 net loss of \$406 thousand) and an unrealized fair value adjustment (loss) on derivative financial instruments of \$455 thousand.

Interest paid during the year amounted to \$631 thousand (2004 - \$678 thousand).

8. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2005	2004
Corporation's contributions	\$ 627	\$ 644
Employees' contributions	\$ 287	\$ 292

9. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2004 - nil). At April 30, 2005 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to \$2,765 thousand (2004 actual - \$2,790 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation generates a significant portion of its sales in U.S. dollars and uses derivative financial instruments to reduce its exposure to change in the value of U.S. dollars. The Corporation currently uses the following types of instruments:

Foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

Foreign exchange call options - right to purchase currencies at a specified price within a specific time period.

This is the first year the Corporation has used derivative financial instruments. Included in accounts payable and accrued liabilities is an amount of \$455 thousand representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2005
Foreign exchange forward contracts	\$ 355
Foreign exchange call options	100
	\$ 455

Notional principal amounts outstanding as at April 30 are listed below for the foreign exchange contracts and foreign exchange call options entered into by the Corporation. The remaining term to maturity of all these derivative financial instruments is under one year.

(in thousands)	2005
Foreign exchange forward contracts	\$ 12,255
Foreign exchange call options	\$ 8,810

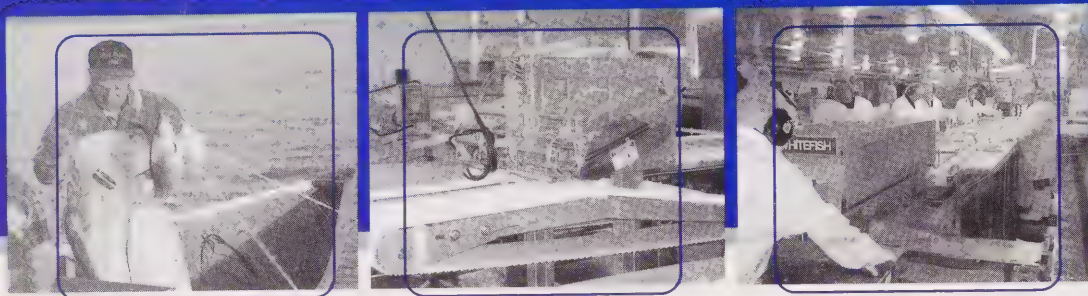
In any transaction, there is a potential for loss. The risk of loss relating to the Corporation's derivative financial instruments is represented by (1) credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the Corporation to incur a financial loss, and (2) market risk, where an exposure exists as a result of the possibility of adverse changes in foreign exchange rates. The Corporation manages its exposure to credit risk by contracting only with creditworthy counterparties. The Corporation manages its exposure to market risk (foreign exchange) by acquiring derivative financial instruments only within limits approved by the Board of Directors.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments. Derivative-related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the foreign exchange forward and foreign exchange call options contracts is calculated using the current market spot and forward exchange rates at the end of the year.

12. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.



CORPORATE GOVERNANCE

A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2004/05 fiscal year, six of those Directors were fishers and six were Aboriginal. The Corporation welcomed its newest Director, Bob Paterson, appointed as the Ontario representative for a three-year term at the beginning of the 2004/05 fiscal year. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region.

The Corporation's Board members met five times in Winnipeg during the fiscal year. Once per quarter, the Board undertook a comprehensive review of financial results and operational issues. They were also briefed by management on the progress of active strategic initiatives. During the July 2004 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2003/04 Annual Report. At the quarterly meeting in March 2005, the Board approved the Corporate Plan and

operating budget for subsequent submission to Treasury Board. The fifth session also took place in March 2005, at which time the Office of the Auditor General presented its report for the Special Examination that was conducted during the fiscal year (see FFMC's Overview at the end of this Report).

The Board considered thirteen applications under the new Export Dealers Licence policy and approved five, while renewing two.

Major conferences or annual meetings attended included the Northwest Territories Fishermen's Federation, First Nation Fisheries, Manitoba First Nation Inland Fisheries Conference, Seafood Value Chain Roundtable, Alberta Commercial Fishermen's Association, Saskatchewan Cooperative Fisheries Ltd., and the National Seafood Sector Council Board and Governance Committee.

BOARD OF DIRECTORS



Jim Bear

Chairman of the Board
Scatterbury, Manitoba
Occupation: Political Advisor, Southeast
Tribal Council
Served on FFMC Board: 4 years



Robert F. Hand

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 5.5 years



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 9 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 9 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 6.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 15 years

CORPORATE OFFICERS

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com



David McArthur

Lac La Biche, Alberta
Occupation: (Retired) Executive Director, Alberta
Commercial Fishermen's Association
Served on FFMC Board: 24 years



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 6 years



Terry Hansen

Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 2.5 years



Ron Ballantyne

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: 1.5 years



Bob Paterson

Sioux Lookout, Ontario
Occupation: Area Supervisor, Ontario Ministry
of Natural Resources
Served on FFMC Board: 1 year

FFMC's Overview OF THE RECENTLY COMPLETED "SPECIAL EXAMINATION"

WHAT IS A "SPECIAL EXAMINATION"?

Every five years, each federal Crown corporation is required by the *Financial Administration Act* to undergo a "Special Examination". The Special Examination is a comprehensive audit of all of the key management systems and practices of the Corporation. The purpose of the audit is to provide an independent opinion to the Board of Directors as to whether there are any significant deficiencies in these systems and practices. A significant deficiency would be one or more fundamental weaknesses in management systems and practices that could threaten the ability of the Corporation to achieve its objectives – for example, FFMC's objective of providing increasing returns to fishers.

WHO CONDUCTED THE SPECIAL EXAMINATION?

The Auditor General of Canada conducted the Special Examination. The audit team included members of the Auditor General's staff as well as external experts in the areas of plant productivity and marketing. The audit team began its work in October 2004 and presented its final report to the Board of Directors on March 9, 2005.

WHAT SPECIFIC AREAS OF THE CORPORATION WERE EXAMINED?

The Auditor General's team initially conducted a survey to determine the most critical aspects of the Corporation's operations. During this phase of the examination, the audit team also identified the key systems and practices that it considered essential in order to provide the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. The audit team then developed eight specific project areas to examine, providing comprehensive coverage of FFMC's operations:

- Corporate Governance (including the Board of Directors)
- Marketing
- Plant Operations
- Pooling and Returns to Fishers
- Quality
- Stakeholder Relations
- Safeguarding Corporate Assets
- Internal Audit

HOW WAS FFMC MANAGEMENT INVOLVED IN THE EXAMINATION?

Because the Special Examination focuses on matters that are of interest to the Board of Directors, the auditors spent a considerable amount of time with the Corporation's senior management. FFMC's senior managers cooperated fully with the Auditor General's team and looked forward to hearing the Auditor General's conclusions and suggestions for improvement.

WHAT WAS THE OPINION OF THE AUDITOR GENERAL?

The Auditor General concluded that there were no significant deficiencies in the Corporation's systems and practices that were examined. FFMC's senior management is very proud of this positive result. The Board of Directors is also pleased with the conclusions reached by the Auditor General's team.

DID THE AUDITOR GENERAL MAKE ANY RECOMMENDATIONS TO THE CORPORATION AND/OR THE BOARD OF DIRECTORS?

The Auditor General's staff identified several areas where the Corporation's systems and practices could be strengthened. The most important of these areas relates to the work of the Board of Directors and to plant operations. These areas represent opportunities for improvement -- they are not significant deficiencies.

Strengthening the Work of the Board of Directors: The Auditor General noted that the Corporation's business and its financial affairs were becoming increasingly complex. The report also noted that modern Boards of Directors develop "profiles" that describe the skills and expertise needed within the Board to address these challenges. In the public sector, these profiles are given to the government ministers responsible for appointing individuals to the Board, to assist them in making choices that will be most beneficial to the Corporation. The Auditor General's view was that the Board should maintain its traditional majority of fisher representatives, but that it would benefit from having greater financial expertise and marketing skills. The Auditor General also described the important role played by modern audit committees in overseeing matters such as financial management and control, risk management, audit and performance reporting. These observations led the Auditor General to recommend that the Board:

- Update its current profile to reflect the skills needed for dealing with current business challenges and risks;
- Request the federal Minister of Fisheries and Oceans to take this updated profile into account in making future appointments and, in particular, emphasize with the Minister the need for an individual with financial expertise; and
- Create an Audit Committee comprised of independent directors with adequate financial expertise.

The Auditor General recognized that the structure of the Board is unique, and that addressing the first two recommendations would take time. The Board is currently considering these recommendations.

Plant Operations: The Auditor General noted a number of positive aspects of the Corporation's plant operations. The examiners also identified several opportunities to achieve efficiencies and annual cost savings by improving yield monitoring, production planning, shop floor tracking and supervisory activities. The Auditor General recommended that management accelerate its plans to address these areas. Management has recently initiated several projects to work towards realizing these potential benefits.

HOW CAN I VIEW A COPY OF THE COMPLETE SPECIAL EXAMINATION REPORT?

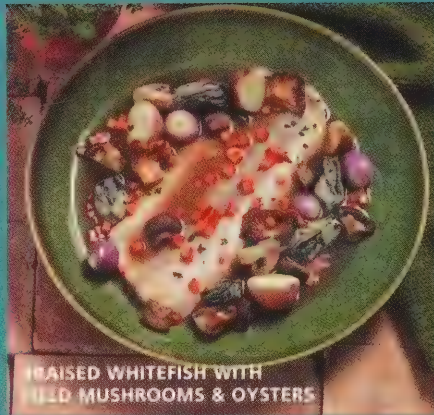
The complete Special Examination report is available on Freshwater Fish Marketing Corporation's website at www.freshwaterfish.com.



CANADIAN GEFILTE FISH



WHITEFISH A LA GRECQUE



BRAISED WHITEFISH WITH
WILD MUSHROOMS & OYSTERS

Whitefish and other recipes available at
www.freshwaterfish.com

CORE VALUES

- We will provide a working environment that recognizes employee value and fosters innovation and respect.
- We will be open, honest and accountable.
- We will strive to exceed customer expectations for quality, service and reliability.
- We will be vigilant in all we do to ensure the sustainability of the inland fishery.
- We will treat everyone fairly and with respect.
- Above all, we will be governed by our responsibilities to fishers.



1199 PLESSIS ROAD, WINNIPEG, MANITOBA, CANADA R2C 3L4
PHONE (204) 983-6600 . FAX (204) 983-6497
www.freshwaterfish.com

CA1
FS100
- A56



Building Marketing Strength
for Canada's Freshwater Fishers

1969	1970	1971
1972	1973	1974
1975	1976	1977
1978	1979	1980
1981	1982	1983
1984	1985	1986
1987	1988	1989
1990	1991	1992
1993	1994	1995
1996	1997	1998
1999	2000	2001
2002	2003	2004
2005	2006	

Annual Report

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Contents

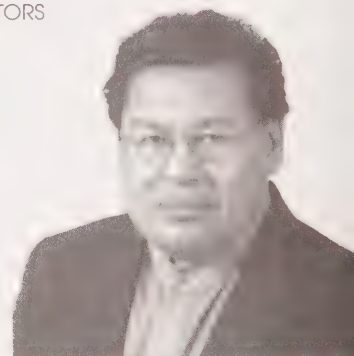
TABLE OF CONTENTS

- 2 Letter of Transfer
- 3 President's Report
- 4 Corporate Profile
- 5 Management Discussion and Analysis
- 6 Strategic Directions
- 10 Ten-Year Financial Summary
- 11 How Fishers Are Paid
- 12 Product Deliveries and Financial Returns to Fishers by Species
- 13 Financial Statements
- 22 Corporate Governance
- 23 Board of Directors / Corporate Officers

Letter of Transfer

FROM CHAIRPERSON OF THE BOARD OF DIRECTORS
TO MINISTER OF FISHERIES AND OCEANS

Honourable Loyola Hearn
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6



Dear Mr. Hearn:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2006.

The Corporation bids farewell with very best wishes to President and CEO, Bob Hand, who retired shortly after the end of the fiscal year, his career spanning almost forty years in seven provinces. Mr. Hand has served the Corporation since November 1, 1999 and his significant contribution to the stability, strategic direction, and solid management of Freshwater Fish leaves a positive, indelible benchmark for future growth and initiative.

The Board's Selection Committee has recently completed a nationwide search, with the assistance of a national recruiting firm, for a new President and CEO.

The Board, management and staff are committed to addressing the challenges facing the Corporation in order to better serve those who are involved in the fishing industry. In that respect, we will continue our best efforts to effectively and efficiently carry out our mandate as a single-desk marketer.

Respectfully,

Jim Bear

Chairman of the Board

President's Report



*"The times ahead
will be challenging,
but I believe the
Corporation has a
dedicated team with a
sound plan to succeed
in delivering increasing
returns to fishers."*

The relentless erosion in the U.S.-to-Canadian dollar exchange rate during the 2005/06 fiscal year, along with increased competitive supply of pickerel from the Great Lakes, were the major factors in declines of \$4 million in annual sales and \$0.6 million in net income. Initial payments to fishers were off by \$1.1 million due to reduced deliveries.

The combined total payment available for fishers, i.e. initial and final, is \$1.7 million lower than the previous year. However, this would have been much greater had it not been for successes in many of our ongoing strategic initiatives. These included lower costs, improved quality and yields, inventory management, and new market developments. I am also pleased to report that we were able to negotiate reasonable multi-year agreements with our unionized workforce in a spirit of mutual respect and without disruption.

As this is my last full year as President, I wish to take the opportunity to thank our Board, management, staff and fishers for all their contributions and support over the last six and a half years. The times ahead will be challenging, but I believe the Corporation has a dedicated team with a sound plan to succeed in delivering increasing returns to fishers.

Respectfully,

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba



2005-06



The Corporation has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.

Corporate Profile

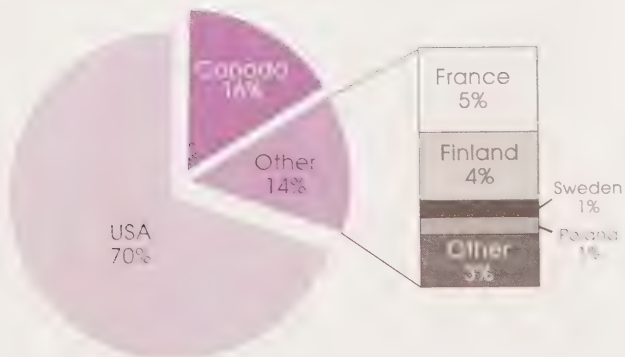
Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, governs the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2005/06 fiscal year, six of those Directors were fishers and six were

Aboriginal. A four-member senior management team assists the President and forty-six full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Thirty-two contracted agents and four corporate agencies grade and purchase fish at sixty-six delivery points. Approximately 2,400 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to market fish interprovincially and internationally. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France. The Corporation plant is kosher-certified and the largest supplier of fish to the gefilte fish market.

Export Markets (Based on sales in dollars)



*The Corporation is confident that it is on the correct
path for responding to its challenges.*

Management Discussion & Analysis

The financial results for the 2005/06 fiscal year were significantly affected by four major factors. They were: (1) the continuing decline in the U.S.-to-Canadian dollar exchange rate; (2) reduced fish deliveries; (3) a sharp increase in competitive pickerel supply from the Great Lakes; and (4) the positive impact from the Corporation's Strategic Directions program.

The Corporation has been commenting on the eroding exchange rate issue for the past three years. While some may consider this an old issue, the unfortunate fact is that the exchange-rate related declines (in sales and returns to fishers) have been substantial and continue to grow. In the past fiscal year, there was a further drop of \$0.09 per U.S. dollar, equivalent to approximately \$3 million in both sales and potential returns to fishers. Compared to fiscal year 2002/03, the average exchange rate has fallen \$0.34 per U.S. dollar, equal to over \$11 million in diminished sales and fisher returns. The outlook at this time is uncertain, with mixed predictions from economic experts. Further exchange rate declines from current levels will make it extremely difficult to maintain existing initial prices to fishers, while any exchange rate gains will be a welcome complement to the Corporation's recovery program.

The negative impact of the exchange rate has been felt by fishers through lower initial prices and reduced final payments. This has no doubt contributed to the lowering in deliveries of species other than pickerel, particularly whitefish. There were also environmental issues negatively affecting deliveries of sauger and northern pike. In total, deliveries (round weight equivalent) of species other than pickerel were down 1.4 million kilograms and initial payments (net of freight) were off by \$1.4 million. Pickerel deliveries were up by 0.4 million kilograms in weight and \$0.3 million in initial payments. Compared to a peak of 2002/03, total deliveries are 6.1 million kilograms lower and at 2005/06 initial prices, this represents a \$3.2 million drop in fisher returns.

Over the last three difficult years, the one consistent bright spot has been the record deliveries of pickerel. In many areas, this has helped fishers mitigate reductions in their income due to lower initial prices. For the Corporation, increased pickerel production came at a time when Great Lake catches were being forced down by reduced quotas, thereby allowing increased FFMC volumes to be absorbed in the markets without lowering prices. However, Great Lake quotas were substantially increased in 2005,

causing increased market price competition, particularly in the fresh markets. The Corporation, with its mandate for orderly marketing, made conscious decisions during the year not to compete on a price basis. To do so would have led to downward price spirals, as it was suspected that some, if not most, of our competitors were unprepared to cope with the increased supply. The Corporation instead focused on defending its core markets and building frozen inventory to serve new and expanded markets. In the near term, margins for pickerel products will likely be less than in the past, as Great Lakes quotas have already been increased again for 2006. Also, prices paid to Great Lakes fishers have been drastically cut, allowing our competitors to be even more aggressive in the marketplace.

The negative effects of a greatly-reduced exchange rate combined with lower deliveries and increased pickerel competition would have had a much more serious impact on fisher returns had it not been for the successes achieved with many of our strategic initiatives. The details of these will be described in the next section. It is sufficient at this point to state that the Corporation is confident that it is on the correct path for responding to its challenges and issues with the goal of delivering increasing returns to fishers.



Strategic Directions

The long-term profitability and growth of the whitefish pool can only be achieved through the expansion of the current customer base.

The 2005/06 fiscal year was the fifth full year of operation under the Corporation's Strategic Directions Plan, with consistent focus on the three strategic goals: sustaining market leadership, increasing returns to fishers, and earning respect and recognition. This year, initiatives in each area were pulled together as the beginning of an aggressive multi-year program for meeting the challenges of a continued stronger Canadian dollar.

SUSTAINING MARKET LEADERSHIP

WHITEFISH MARKET/PRODUCT DEVELOPMENT

The long-term profitability and growth of the whitefish pool can only be achieved through the expansion of the current customer base. Markets for whitefish were identified and evaluated. Both short and long-term sales objectives were established for each one. Attempts were made to retain all existing markets while expanding the whitefish customer base by initiating sales in new markets that show long-term growth potential. This approach showed some positive results, as both whole fish sales to new markets and fillet sales continued to grow. This also helped to increase the average selling price of most whitefish products during the year.

Production and sales of value-added PBO (pin bone out) whitefish fillets exceeded budget projections in 2005/06, adding \$333,000 to sales revenue and \$287,000 to contributions to the whitefish pool.

New orders from customers in Europe and the Middle East accounted for 110,000 kg increase in sales and \$170,000 in additional sales revenue in these non-traditional markets.

BONED NORTHERN PIKE PRODUCTS

Marketing initiatives involving boned skinless fillet portions in the French market and new boned fillet products for the retail sector in the U.S. and Canada, suffered a setback in 2005/06. Difficult fishing conditions caused by flooding in several major northern pike fisheries in the summer of 2005 resulted in a 31% drop in deliveries. While demand for the boned fillet products was strong, the market failed to grow due to shortage of supply.

Initial results from the development of a pike roe product produced during the late winter were positive. Samples will be provided to potential customers during the 2006/07 fiscal year.

The Corporation was able to improve average market prices for mullet products by about 7%.

MULLET MARKETING ALTERNATIVES

Mullet marketing initiatives focused on growing sales for higher margin products. By reallocating sales from low-valued minced products to higher-valued kosher products, the Corporation was able to improve average market prices for mullet products by about 7%. This was accomplished in spite of the fact that almost all mullet sales are in the U.S., where the stronger Canadian dollar has been a challenge. The Corporation purchased and sold slightly more mullet than it did in 2004/05.

In the product/market development area, a new fillet product was exported to Israel during the year and more sales are expected in the future. Other potential markets were pursued in China and Korea. Attempts to develop an acceptable mullet roe product did not go well; the delicate roe sacs proved very difficult to remove intact from the fish. Further attempts to develop a roe product will be explored in 2006/07.

PICKEREL/WALLEYE PROMOTION

Pickereel/walleye marketing was a challenge in 2005/06 as the Corporation experienced an increase in deliveries (all small size grade) and augmented supplies from the Lake Erie fishery. A customer loyalty program was continued in the U.S. during

the year to reward customers for purchasing walleye from FFMC and to gather information about the Corporation's walleye customers. Having successfully achieved its original objectives, this loyalty program was discontinued at the end of the fiscal year. The market intelligence gained through this effort will be used to customize future loyalty programs and target key accounts as overall walleye supplies increase.

MARKET DIVERSIFICATION

The U.S. is the Corporation's most important market, accounting for about 70% of sales value. The exchange rate issue has demonstrated the risk inherent in concentrating sales in one export market. The Corporation adopted the objective to reduce the portion of sales revenue from the U.S. market to no more than 60%. This objective suffered a setback in 2005/06 as Canadian sales declined by \$4 million (30%) from the previous year. This occurred primarily due to reduced sales of whole pickerel/walleye and IQF fillets to other Canadian processors. Increased supplies of pickerel/walleye for processing were available to these Lake Erie processors because of an enhanced annual quota in 2005. Local suppliers held a competitive advantage over FFMC in selling to Canadian processors in Ontario. New retail products, including

vacuum-packed baby pickerel and boned northern pike portions, were introduced by FFMC in the Canadian market. The 2005/06 fiscal year saw increased exports to Finland, Lithuania, Poland, Iran, and Israel. Sales to new markets were negotiated in Canadian dollars wherever possible.

OPTIMIZED INVENTORY LEVELS

After maintaining higher-than-desired levels of inventory for both whitefish and northern pike for several years, the Corporation embarked on a plan to reduce these inventories two years ago. By the end of 2005/06, both inventories had been reduced to target levels, with consequential savings in interest, storage and handling costs of about \$200,000 and a stronger position for the Corporation in marketing these two species.

LAKE-TO-PLATE QUALITY PROGRAM

The Lake-to-Plate program was launched in 2003/04 to review all stages in production for quality enhancement opportunities, including harvesting, shipping, storage and processing. The emphasis in 2005/06 was to continue the evaluation of the benefits of shipping fresh fish from delivery points to the plant in larger containers (totes) in ice water

2005-06



Strategic Directions (continued)

slurry. Just over 50% of summer deliveries arrived in totes in slurry. Side-by-side testing showed that delivery in totes in slurry provided consistently better processing yields than the conventional methods. Although there were higher outbound container freight costs, handling fish in totes/slurry showed a net benefit of \$576,000 from higher processing yields and reduced direct labour costs. These results led to a decision to convert the packing and delivery system completely to the new system by the end of fiscal 2006/07.

INCREASING RETURNS TO FISHERS AND THEIR COMMUNITIES

CONTINUOUS COST IMPROVEMENT

Senior management commitment, improvements to productivity measurement methods, and the reorganization of plant management have focused attention on controlling costs. Cross-functional participation in annual Production Cost Workshops has provided the impetus for innovation and change. The Corporation spent \$400,000 on additional services and over \$600,000 on capital projects this year to improve productivity. By year-end, over \$2 million in benefits were attributed to these initiatives. Significant projects included:

Filleting Machines: A new Baader 580 filleting machine was thoroughly tested as a possible replacement for the three aging Baader 184 machines used in the Winnipeg plant. The testing concluded that the new machine was not suitable for the purpose. The alternative of rebuilding the Baader 184s (replacing most of the moving parts) was then explored. The first of the machines was overhauled, providing some improvement in processing yield at a small fraction of the capital cost of a new machine.

Fillet Grading/Packing

Automation: The first stages of a multi-year project in the frozen fillet grading and packaging operations were launched during 2005/06. Procedural changes undertaken in conjunction with the review of frozen fillet product specifications reduced grader room staffing by two positions per shift. A system for automatic sorting of packaged fillets in cold storage was installed to provide improved inventory control and reduced labour costs. This system will begin delivering benefits in 2006/07.

Energy Conservation:

Recommended energy conservation measures were implemented, putting the Corporation in a position to realize \$58,000 per year in

energy savings. This project was supported by a Manitoba Hydro PowerSmart program incentive. Actual savings will be tracked through 2006/07.

Production Control System: With the assistance of a consulting team, a system for controlling and reducing cost-per-unit output in the fresh fish processing operations was implemented during 2005/06. By year-end, \$148,000 in labour savings and \$1.7 million in improved yield benefits were realized as a result of this initiative.

PRODUCT SPECIFICATION REVIEW

A formal product specification program was initiated in 2005/06. The purpose of the review, which may take several years to complete, is to ensure that product specifications and processing practices are cost-effective for the value received. The first application of this approach entailed a revision of specifications, changes in the grading operation and final product inspection procedure for frozen fillets. This rationalization of specifications has an estimated annual benefit of about \$500,000. Actual savings of \$98,000 were realized in the fillet grading and packaging operation over the part of the year in which it was applied. A review of product specifications for fresh fillet

products was completed by the end of the fiscal year and will be implemented in 2006/07.

ELIMINATE AGENCY LOSSES

Corporate-owned agency operations in southern Manitoba (Lake Winnipeg) and Hay River, NT have been operating at a deficit for the last several years. These operations have revenues based on the Corporation's agency fee schedule (the basis of payments to contracted agents) and the deficits have been absorbed as overhead cost. Most of the operating deficits in Southern Manitoba Agency are related to the lake freight operations. Board approval was obtained to replace the 100-year old packer vessel (*The Goldfield*) with a vessel with more capacity and a roll-on, roll-off design. This will reduce costs related to fish quality, crew labour, and packing plant labour. Also, there is potential for additional freight revenue earned by the replacement vessel.

Consultation with fishers in Hay River resulted in a decision to withdraw packing services in future winter seasons, due to very low deliveries. As well, a plan was put in place to reduce summer season services to a level appropriate to the declining deliveries from the Great Slave Lake fishery. Every effort has been made to identify areas where variable costs can be reduced.

This has the potential to lower, but not eliminate, the operating deficit. Planning continues to find a way to completely restructure the Hay River Agency, to deal with the high fixed costs of the present operation.

EARNING RESPECT AND RECOGNITION

STAKEHOLDER RELATIONS

The Corporation has enhanced its communications and dialogue with all stakeholders through a series of ongoing initiatives. These include a website, quarterly reports, newsletters, Special Information bulletins, customer and fisher surveys, and corporate presentations. Following the guidance provided by the 2004 Fisher Profile Survey, special emphasis has been placed on attending as many meetings as possible with fishers and fishers' organizations. Field Operations personnel attend all local meetings. Representatives of senior management and individual Board members travel to some local meetings and make a special effort to attend annual meetings in each of the regions.

LABOUR/EMPLOYEE RELATIONS

The Corporation was engaged in collective bargaining with both PSAC and CAW local unions in the Winnipeg plant during 2005/06. In both cases, new three-year agreements were negotiated with

modest increases in the general labour rates. This provided the Corporation with the stability and certainty necessary to meet the challenges of a strong Canadian dollar.

The agreement with the larger CAW local included the creation of a Joint Labour/Management Committee, established to deal with mutual productivity/job security issues.

Employee Recognition 30 Years Service



Diane Casson



Denalda Whitehill

Shelley Wills

(Photo unavailable)

Ten-Year Financial Summary

FISCAL YEAR ENDED APRIL 30 (All amounts in millions of dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sales	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3	\$59.3	\$55.3
Net Income Before Final Payments	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)	\$1.4	\$0.8
Fish Purchases	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7	\$30.4	\$29.2
Net Income Plus Fish Purchases	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9	\$31.8	\$30.0
Accounts Receivable - Trade	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9	\$7.0	\$5.1
Inventory - Finished Fish Products	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4	\$12.4	\$12.6
Inventory - Packaging Material and Parts	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9	\$1.0	\$0.9
Capital Assets - Net Book Value	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7	\$6.3	\$6.1
Loans Payable	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1	\$18.4	\$17.8
Retained Earnings	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3	\$3.3	\$3.3

* Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks, such as the net income loss that occurred during the 2003/04 fiscal year as a result of the sharply (12%) lower U.S.-to-Canadian dollar exchange rate. This situation caused a decrease in Retained Earnings of \$0.8 million, to \$3.3 million.



How Fishers Are Paid

2005-06



The *Freshwater Fish Marketing Act* mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets or products. Then initial prices are set above market-justified levels to secure production for establishing new markets.

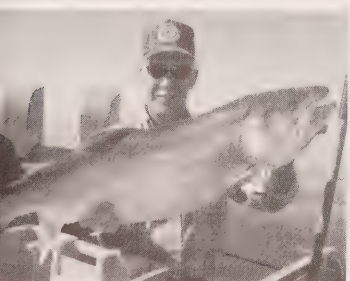
The Corporation's policy is to set initial prices for all species at levels

designed to promote a full fishery in all regions. Higher volumes, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. A temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Office of the Auditor General, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results.



TEN YEAR SUMMARY (1997-2006), FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of Dollars (Current Dollars)

¹ Delivered Weight - Round Equivalent Weight (millions of kilograms)

² Price/Round Kg. - Based on Initial Payment plus Final Payment

³ Initial Payments - Net of Freight

⁴ Three Year Moving Average of Total Payments

Product Deliveries & Financial

Returns to Fishers by Species

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pickarel										
Delivered weight ¹	2.6	2.8	3.7	4.6	5.7	5.1	5.1	5.6	5.6	6.0
Price/Round Kg. ²	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45	\$3.41	\$3.15
Initial Payment ³	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3	\$17.9	\$18.2
Final Payment	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0	\$1.2	\$0.71
Total Payment	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3	\$19.1	\$18.91
3 Yr. Moving Avg. ⁴	\$11.6	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9	\$20.7	\$19.1
Whitefish										
Delivered weight ¹	6.4	5.5	5.3	5.6	6.5	6.8	7.0	6.7	5.9	5.4
Price/Round Kg. ²	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10	\$1.00	\$1.02
Initial Payment ³	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5
Final Payment	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5
3 Yr. Moving Avg. ⁴	\$6.1	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9	\$7.2	\$6.3
Northern Pike										
Delivered weight ¹	2.4	2.4	2.7	2.8	2.6	2.5	2.4	2.3	1.9	1.3
Price/Round Kg. ²	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65	\$0.58	\$0.62
Initial Payment ³	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5	\$1.1	\$0.8
Final Payment	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$0.8
3 Yr. Moving Avg. ⁴	\$1.6	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1
Sauger										
Delivered weight ¹	1.1	1.0	1.1	1.0	0.6	0.7	0.8	0.8	0.6	0.3
Price/Round Kg. ²	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13	\$2.83	\$3.17
Initial Payment ³	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5	\$1.6	\$0.9
Final Payment	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0	\$0.1	\$0.05
Total Payment	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5	\$1.7	\$0.95
3 Yr. Moving Avg. ⁴	\$4.2	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8	\$2.4	\$1.7
Mullet										
Delivered weight ¹	4.7	3.7	3.9	5.8	5.4	5.0	5.4	3.9	2.6	2.6
Price/Round Kg. ²	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26	\$0.27	\$0.31
Initial Payment ³	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8
3 Yr. Moving Avg. ⁴	\$0.9	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3	\$1.0	\$0.8
Perch										
Delivered weight ¹	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.3	0.2	0.2
Price/Round Kg. ²	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00	\$3.50	\$2.70
Initial Payment ³	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9	\$0.6	\$0.5
Final Payment	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0	\$0.1	\$0.04
Total Payment	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9	\$0.7	\$0.54
3 Yr. Moving Avg. ⁴	\$1.4	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8	\$1.1	\$0.7
Other										
Delivered weight ¹	1.6	1.2	1.3	1.3	1.3	1.3	1.6	1.1	0.9	0.9
Price/Round Kg. ²	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73	\$0.67	\$0.67
Initial Payment ³	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8	\$0.6	\$0.6
Final Payment	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0
Total Payment	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8	\$0.6	\$0.6
3 Yr. Moving Avg. ⁴	\$0.9	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.7
All Pools										
Delivered weight ¹	19.1	16.8	18.2	21.3	22.3	22.0	22.8	20.7	17.7	16.7
Price/Round Kg. ²	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61	\$1.68	\$1.68
Initial Payment ³	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4	\$28.4	\$27.3
Final Payment	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0	\$1.4	\$0.8
Total Payment	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4	\$29.8	\$28.1
3 Yr. Moving Avg. ⁴	\$26.7	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3	\$34.7	\$30.4

Management's Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the

financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal studies, which consist of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 7, 2006



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2006 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 7, 2006

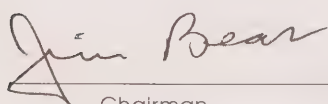
Balance Sheet

as at April 30 (in thousands)

	2006	2005
ASSETS		
Current		
Accounts receivable	\$ 5,470	\$ 7,358
Inventories (Note 3)	13,572	13,355
Prepaid expenses	468	204
	19,510	20,917
Property, plant and equipment (Note 4)	6,127	6,284
	<u>\$ 25,637</u>	<u>\$ 27,201</u>
LIABILITIES		
Current		
Bank overdraft	\$ 1	\$ 30
Accounts payable and accrued liabilities	3,743	4,059
Provision for final payments to fishers	799	1,356
Loans payable (Note 5)	17,772	18,434
	22,315	23,879
Contingencies (Note 12)		
RETAINED EARNINGS		
Retained earnings	3,322	3,322
	<u>\$ 25,637</u>	<u>\$ 27,201</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director

Statement of Operations and Retained Earnings

For the Year Ended April 30 (in thousands)

OPERATIONS

Sales

Export	\$ 46,053	\$ 46,083
Domestic	9,270	13,180
	<u>55,323</u>	<u>59,263</u>

Cost of sales

Opening inventory of finished fish products	12,386	14,383
Add fish purchases and processing expenses:		
Fish purchases	29,155	30,392
Salaries, wages and benefits (Note 8)	8,806	8,458
Packing allowances and agency operating costs	5,085	5,016
Packaging and storage	3,354	3,776
Utilities and property taxes	1,237	1,239
Amortization of production assets	1,168	1,221
Repairs and maintenance	690	525
Other	824	366
	<u>62,705</u>	<u>65,376</u>

Less ending inventory of finished fish products (Note 3)	(12,645)	(12,386)
	<u>50,060</u>	<u>52,990</u>

Gross profit on operations

Marketing and administrative expenses

Salaries and benefits (Note 8)	2,147	1,984
Commission (Note 6)	1,025	1,014
Data processing, office and professional services	496	384
Advertising and promotion	204	301
Meeting fees and expenses	166	160
Amortization of administration assets	165	175
Interest and foreign exchange gains and losses (Note 7)	5	634
Other	256	265
	<u>4,464</u>	<u>4,917</u>

Income before provision for final payments to fishers

Provision for final payments to fishers	799	1,356
	<u>799</u>	<u>1,356</u>

Net income for the year (Note 9)

Retained earnings at beginning of the year	3,322	3,322
Retained earnings at end of the year	<u>\$ 3,322</u>	<u>\$ 3,322</u>

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

For the Year Ended April 30 (in thousands)

	2006	2005
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,333	1,396
Loss on disposal of property, plant and equipment	58	5
Net changes in non-cash working capital		
balances relating to operations	1,091	2,701
(Decrease) increase in provision for final		
payments to fishers	(557)	1,356
Cash provided by operating activities	1,925	5,458
Investing activities		
Additions to property, plant and equipment	(1,245)	(1,014)
Proceeds on disposal of property,		
plant and equipment	11	31
Cash used for investing activities	(1,234)	(983)
Financing activities		
Decrease in loans payable	(662)	(4,654)
Cash used for financing activities	(662)	(4,654)
Increase (decrease) in cash during the year	29	(179)
(Bank overdraft) cash at beginning of year	(30)	149
Bank overdraft at end of year	\$ (1)	\$ (30)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

April 30, 2006

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of north-western Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$30 million for the 2005-2006 fiscal year.

An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to \$50 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Freshwater Fish Marketing Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these financial statements are summarized on the following pages and conform in all material respects to Canadian GAAP.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	-Lake stations	Straight-line	5-10%
	-Plant	Straight-line	2 1/2%
Equipment	-Machinery and office equipment	Declining balance	10-40%
	-Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in interest and foreign exchange gains and losses.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of interest and foreign exchange gains and losses. Derivatives are intended to be held to maturity resulting in the cumulative unrealized gains and losses on individual derivative instruments netting to zero over the life of the instruments.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value and derivative financial instruments measured at fair value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations. If actual results differ from these estimates, the impact would be recorded in future periods.

3. INVENTORIES (in thousands)

	2006	2005
Finished fish products	\$ 12,645	\$ 12,386
Packaging material and supplies	927	969
	\$ 13,572	\$ 13,355

4. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	8,530	6,213	2,317	2,214
Equipment	19,905	16,995	2,910	3,051
Fresh fish delivery tubs	459	223	236	323
Vessels	490	340	150	175
Construction in progress	178	-	178	185
	\$ 29,898	\$ 23,771	\$ 6,127	\$ 6,284

5. LOANS PAYABLE

(in thousands)	2006	2005
Promissory note	\$ 4,472	\$ 5,034
Bankers acceptances	13,300	13,400
	\$ 17,772	\$ 18,434

The bankers acceptances are unsecured, bear interest at 4.05% (2005 - 2.54%) and mature on May 5, 2006.

The \$4,000 thousand U.S. dollar denominated promissory note (\$4,472 thousand Canadian dollar) is unsecured, repayable in U.S. dollars, bears interest at 4.60% and matures on August 25, 2006.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,025 thousand (2005 - \$1,014 thousand) to sales agents. Included in that amount is \$990 thousand (2005 - \$949 thousand) of commissions paid to foreign sales agents.

7. INTEREST AND FOREIGN EXCHANGE GAINS AND LOSSES

Interest and foreign exchange gains and losses of \$5 thousand (2005 - \$634 thousand) includes interest of \$838 thousand (2005 - \$633 thousand), a net foreign exchange gain of \$573 thousand (2005 - net gain of \$454 thousand) and an unrealized fair value adjustment gain on derivative financial instruments of \$260 thousand (2005 - unrealized loss of \$455 thousand).

Interest paid during the year amounted to \$714 thousand (2005 - \$631 thousand).

8. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2006	2005
Corporation's contributions	\$ 634	\$ 627
Employees' contributions	\$ 282	\$ 287

9. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2005 - nil). At April 30, 2006 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to \$2,718 thousand (2005 actual - \$2,731 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation generates a significant portion of its sales in U.S. dollars and uses derivative financial instruments to reduce its exposure to change in the value of U.S. dollars. The Corporation currently uses the following types of instruments:

Foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

Foreign exchange call options - right to purchase currencies at a specified price within a specific time period.

Included in prepaid expenses is an amount of \$260 thousand (2005-included in accounts payable and accrued liabilities \$455 thousand) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2006	2005
Foreign exchange forward contracts	\$ 251	\$ 355
Foreign exchange call options	9	100
	<u>\$ 260</u>	<u>\$ 455</u>

Notional principal amounts outstanding as at April 30 are listed below for the foreign exchange contracts and foreign exchange call options entered into by the Corporation. The remaining term to maturity of all of these derivative financial instruments is under one year.

(in thousands)	2006	2005
Foreign exchange forward contracts	\$ 7,723	\$ 12,255
Foreign exchange call options	\$ 6,065	\$ 8,810

In any transaction there is a potential for loss. The risk of loss relating to the Corporation's derivative financial instruments is represented by (1) credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the Corporation to incur a financial loss, and (2) market risk, where an exposure exists as a result of the possibility of adverse changes in foreign exchange rates. The Corporation manages its exposure to credit risk by contracting only with creditworthy counterparties. The Corporation manages its exposure to market risk (foreign exchange) by acquiring derivative financial instruments only within limits approved by the Board of Directors.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments. Derivative related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the foreign exchange forward contracts and foreign exchange call options is calculated using the current market spot and forward exchange rates at the end of the year.

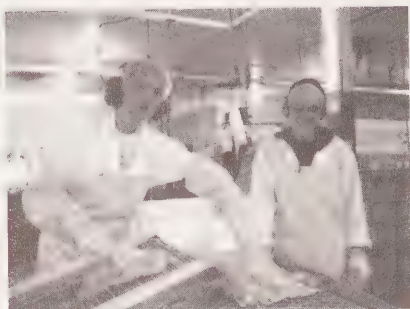
12. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

13. COMPARATIVE FIGURES

Certain 2005 comparative figures have been reclassified to conform with current year's presentation.

Corporate Governance



A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2005/06 fiscal year, six of those Directors were fishers and six were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region.

The Corporation's Board members met six times in Winnipeg during the fiscal year. Once per quarter, the Board undertook a comprehensive review of financial results and operational issues. They were also briefed by management on the progress of active strategic initiatives.

During the July 2005 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2004/05 Annual Report.

Following an announcement in December 2005 from President and CEO Bob Hand of his intention to retire in the near future, Board members met off-site in January 2006 to develop a profile for selecting a new President and CEO. At the meeting in early April 2006, the Board reviewed and approved the Corporate Plan and operating budget for subsequent submission to Treasury Board.

The Board considered ten applications under the Export Dealers Licence policy and approved five (one of which was cancelled), while renewing one.

Major conferences or annual meetings attended included the Manitoba Commercial Inland Fisheries Federation, Norway House Fishermen's Co-op, Seafood Value Chain Roundtable, Saskatchewan Cooperative Fisheries Ltd., Boston and Brussels Seafood Shows, and the National Seafood Sector Council Board and Governance Committee.

Board of Directors

**Jim Bear**

Chairman of the Board
Scanterbury, Manitoba
Occupation: Political Advisor,
Southeast Tribal Council
Served on FFMC Board: 5 years

**Robert F. Hand**

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 6.5 years

**Irvin Constant**

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 10 years

**Gordon McDougall**

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 10 years

**James R. Favel**

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 7.5 years

**Ed Isfeld**

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 16 years

**David McArthur**

Lac La Biche, Alberta
Occupation: (Retired) Executive
Director, Alberta Commercial
Fishermen's Association
Served on FFMC Board: 25 years

**Bert Buckley**

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 7 years

**Terry Hansen**

Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 3.5 years

**Ron Ballantyne**

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: 2.5 years

**Bob Paterson**

Sioux Lookout, Ontario
Occupation: Area Supervisor,
Ontario Ministry of Natural Resources
Served on FFMC Board: 2 years

Corporate Officers

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerry Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com



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ANNUAL REPORT

From Lake to Plate

Freshwater Fish Marketing Corporation



Letter of Transfer



FROM CHAIRPERSON OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS

Honourable Loyola Hearn
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Hearn:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2007.

The Corporation welcomes new President and Chief Executive Officer John Wood, who took over the position from Robert Hand in October 2006, after a nationwide search conducted by the Board's Selection Committee and assisted by a recruiting firm. John holds a Masters in Business Administration from Wilfrid Laurier University School of Business and Economics, and has held executive positions with a number of food processing companies both in Canada and overseas. He brings experience in strategic planning and international business development to the Corporation.

We bid farewell to two Board members this year when their terms ended: David McArthur (the provincial appointee for Alberta), who retired after nearly twenty-six years of loyal and cheerful service; and Terry Hansen, a strong representative for the province of Saskatchewan. We welcome the two new Directors who replace them: Gail Wood of Edmonton, Alberta, and Peter Beatty of Deschambault Lake, Saskatchewan, respectively. Together they bring a wide range of experience and expertise to our corporate governance.

We continue to be dedicated to the fishing industry and look forward to overcoming the many challenges we face in this competitive business.

Respectfully,

Jim Bear
Chairperson of the Board

TABLE OF CONTENTS

2	Letter of Transfer
3	President's Report
4	Corporate Profile
5	Management Discussion and Analysis
6	Strategic Directions
3	Performance Indicators
12	Ten-Year Financial Summary
13	How Fishers Are Paid
14	Financial Returns and Deliveries
15	Financial Statements
26	Corporate Governance
27	Board of Directors / Corporate Officers

Cover: Chef John MacDonald
Hugon, Northwest Territories

President's Report

First, I would like to thank former President and CEO Bob Hand for his work in assuring a smooth transfer of the reins midway through the year. I am very pleased to have joined the team at Freshwater Fish Marketing Corporation and excited to be working with a strong Board and senior management team as we begin a new chapter in the growth of the Corporation.

An in-depth strategic review was initiated in January 2007, with the objective of building on past achievements and positioning the Corporation to compete effectively in today's challenging business environment. The Corporation does not only compete in the Canadian or even North American seafood market; it must compete as part of the global food chain and must meet the world-class standards that this demands. The Strategic Plan will need to focus resources on the protection of our traditional markets, guide investment in the development of new markets, and continue the work of improving the efficiency and cost structure of the entire supply chain from 'Lake to Plate'.

Several important milestones were achieved during the 2006/07 fiscal year. Pickerel deliveries and sales reached all-time highs. Total returns to fishers increased from \$28.1 million to \$30.9 million, the first year-over-year increase since the 2002/03 financial year.

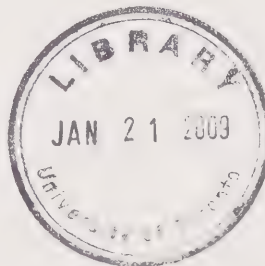
This year, the Corporation undertook its second Fisher Survey and a summary of results is discussed later in this report. The Department of Fisheries and Oceans commissioned a study to define and understand the effects of a dual marketing structure. This study was conducted by the George Morris Centre, a well-known and respected industry economic research organization.

We will build on our strengths and opportunities, driven by our mandate to improve returns to fisher stakeholders.

Respectfully,



John K. Wood
President and Chief Executive Officer
Winnipeg, Manitoba



*"We continue the
work of improving the
efficiency and cost
structure of the entire
supply chain from
'Lake to Plate'."*

Corporate Profile

*The Corporation is a
recognized price leader,
exercising its mandate to
market fish interprovincially
and internationally.*

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, governs the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2006/07 fiscal year, six of those Directors were fishers and six were Aboriginal. A three-member senior management team assists the President and forty-six full-time staff provide administrative support. The Corporation employs another 170 full-time production personnel, which can expand to 350 during busy seasons. Thirty-one contracted agents and three corporate agencies grade and purchase fish at sixty-one delivery points. Approximately 2,300 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to market fish interprovincially and internationally. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France. The Corporation's plant is kosher-certified and the largest supplier of fish to the gefilte fish market.



Management Discussion & Analysis



Poplar River barge

A stronger-than-forecast fourth quarter helped the Corporation achieve a year-over-year increase in returns to fishers for the first time since the 2002/03 fiscal year. Initial payments of \$30.2 million were 11% above the previous year's \$27.3 million. A final payment of \$0.7 million brought total payments to \$30.9 million, an increase of 10% on the previous year's total of \$28.1 million. These improvements were driven by record pickerel landings and sales, stronger whitefish prices later in the year, and savings from internal initiatives. The Corporation set a record in pickerel/walleye sales volume of 3.0 million kilograms this fiscal year, a 0.7 million kilogram increase over 2005/06.

Many of the factors that determined the financial results for the 2006/07 year were a continuation of those that have had an impact on the Corporation for the past several years. The most significant of these were: (1) the continuing climb of the Canadian dollar after a period of weakness early in the year; (2) a further decline in deliveries of all species except pickerel; (3) the high volume of pickerel landed both in western Canada and from the Great Lakes; and (4) the positive impact of strategic initiatives.

Exchange Rate

The exchange rate between the US dollar and the Canadian dollar is an issue that has been with the Corporation and every other exporter in Canada for four years now. During the fiscal year 2002/03,

the US\$/C\$ averaged 65.0 to the Canadian dollar, while in the 2006/07 fiscal year the average was 87.9. Economists now seem to agree that the Canadian economy is driven by energy and natural resources, and the worldwide demand for these resources will continue to put upward pressure on the Canadian dollar. The Corporation will need to position itself to operate with a dollar valued at USD .95 to 1.00.

Economics

The decline in deliveries of most species appears to be driven by economics: for many fishers, it is simply not financially viable to harvest low-valued species at existing prices when the cost of fuel, labour and many other inputs has increased so dramatically. This, along with the alternative income available from the jobs provided by a strong western economy, has created a situation in which participation in the fishery has declined. The one significant exception to this trend is the high-value pickerel fishery in which record landings have been driven by a healthy resource and prices that, although softening, are still well above those of other species. In total, deliveries (round weight equivalent) of species other than pickerel were down 0.2 million kilograms to 10.5 million kilograms but initial payments (net of freight) were up by \$0.3 million to \$9.4 million. Pickerel deliveries were up by 0.4 million kilograms in weight to 6.4 million kilograms and \$2.6 million in initial payments to \$20.8 million.

High Pickerel Volume

An increase in pickerel quotas on Lake Erie meant a substantial increase in the volume of Great Lakes pickerel sold into the Corporation's key US markets. Although this additional supply created a general softening of prices, the Corporation managed the situation by holding inventory back to avoid flooding the market. Alternative markets were found in Europe, mainly Germany. Lake Erie quotas for pickerel have been reduced for the 2007 season, which should create a better selling environment for the 2007/08 fiscal year.

Cost Management

The need to drive costs out of the supply chain is a priority for the Corporation and a number of initiatives designed to achieve this were either continued or started in 2006/07. The move from tubs to totes has met with great success and by the end of the fiscal year, one hundred percent of deliveries were arriving in Winnipeg in totes. Under the plant's continuous improvement plan, Phases Two and Three of the Processing Operating System project were completed. April 30, 2007 marked the first complete year under Phase One with cumulative savings topping \$400,000.

Strategic Directions



The impact of the trend for customers to require more from their suppliers is multiplied by ongoing consolidation in both the foodservice and retail sectors.

In 2000, the Corporation undertook the creation of a Strategic Directions Plan that has now guided the business for six fiscal years. In January 2007, the Corporation put together a team to review its Plan with the objective of updating and revising the strategy to address the latest issues and challenges faced by the business.

The team began its review with a 'Situation Analysis'. This is a comprehensive look at the many factors that may impact the business during the five-to-ten-year planning period. It is not possible to cover all these factors in detail here; what follows is a summary of those with the most significance to the Corporation.

Global Food Chain

The Corporation must compete in a global food chain that provides consumers with an abundance of alternatives for their food dollar. As barriers to entry fall, the Corporation's traditional markets have come under increasing pressure from international competition. For example: Eastern Europe has supplied zander (European pickerel) to customers in the US Midwest, and Asian carp has become an alternative source for the New York kosher market.

Strength of the Canadian Economy

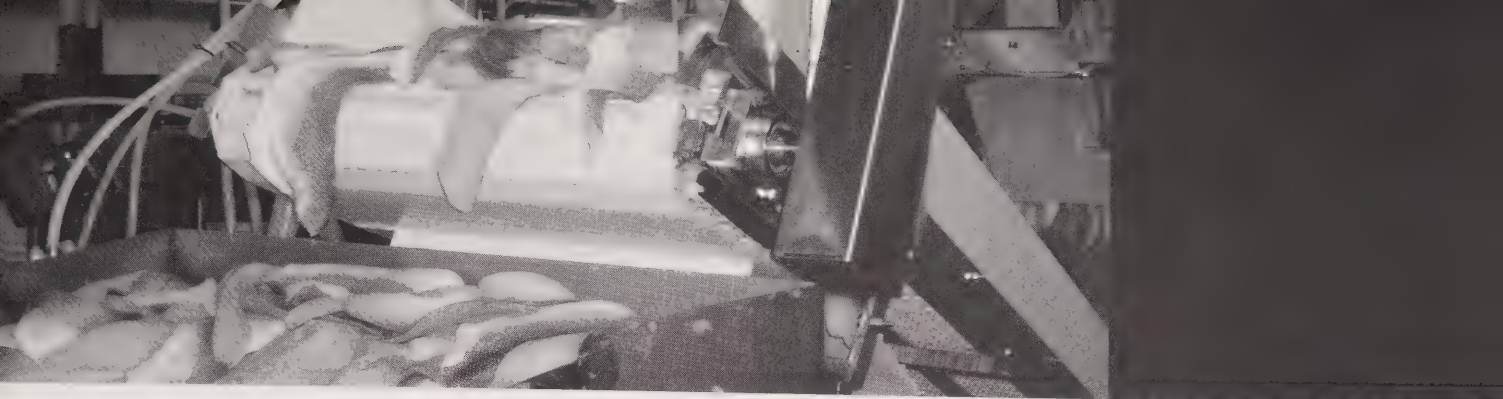
This factor is responsible for a number of opportunities and issues. The consumer has more disposable income to spend on luxury items such as restaurant meals, where the majority of FPMC products are consumed. On the negative side, labour is in short supply for both harvesting and processing, fuel is expensive and it is this situation that is causing the relentless climb of the Canadian dollar.

Declining Volume of Deliveries

This appears to be driven by economics; for many fishers, it is simply not financially viable to harvest low-valued species at existing prices when the cost of fuel, labour and many other inputs has increased so dramatically. This, along with alternative income sources available from jobs provided by a strong western economy, has created a situation in which participation in the fishery has been declining.

Fishery Management / Sustainability

Sustainability has not yet impacted the Corporation's specific markets but it has become an issue for many of the marine fisheries around the world, including Canada. Multi-national retail chains are 'going green', which means asking for proof that wild-caught fish is coming



from sustainable fisheries. Certification of sustainability is a long and expensive process but one that will become a necessity to assure continued market access.

Increasing Food Safety Regulation Worldwide

The Corporation already meets the very stringent standards for registration by the Canadian Food Inspection Agency (CFIA) and has in place QMP, HACCP and other programs as required. But as markets such as the European Union continue to tighten their requirements, the Corporation must continue to respond or lose its ability to export. At the close of the fiscal year, the plant was in the middle of its first scheduled maintenance shutdown for many years. The reason was the need to recover floors and ceilings to meet CFIA registration requirements.

Customer and Consumer Requirements

Consumers are becoming increasingly particular with food purchases. Priority is given to convenience, consistent quality and continuity of supply. On top of this, our customers (restaurants and supermarkets) require their suppliers to do more of the work, so that packaging, portion control and even pre-cooking are now important criteria for success in the market. Consolidation in both the retail and foodservice sectors will put pressure on margins.

Fish is in Fashion as a Healthy Alternative to Red Meat

Fish has long been considered a healthy food choice and with Omega 3 fatty acids becoming a major consumer health concern, fish has gained in stature as a protein source of choice. Finding products and markets that can leverage this very positive story will provide new opportunities.

The Way Forward

In addressing these challenges and opportunities, the Strategic Planning team acknowledged the value of the 'three pillars' on which the previous Plan was structured, namely:

- 1) Sustaining Market Leadership,
- 2) Increasing Returns to Fishers and Their Communities, and
- 3) Earning Respect and Recognition.

The revised Plan will use the concepts embedded in these 'three pillars' to assure a continued focus on the things that are important to the organization and the fishery it serves.

Sustaining Market Leadership: Many of the initiatives in this area have been species-specific with positive results. This successful experience will be expanded so that each major species is managed according to its own business plan. Fisher input will be a part of this new process.

Increasing Returns to Fishers and Their Communities: A major focus here is the efficiency and cost-effectiveness of the entire supply chain from 'lake



to-plate'. Resources will be added to bring focus to this area.

Earning Respect and Recognition: The Corporation will continue to build on stakeholder communication processes such as the newsletter, website, Fisher Survey and Customer Survey already in place and add new processes where gaps are found.

The challenges ahead will not be easily managed but there are opportunities for the fishery to excel in the marketplace. The Strategic Plan will be designed to position the Corporation to take on these challenges and meet its mandated priority of increasing returns to fishers

EMPLOYEE RECOGNITION 30 YEARS SERVICE

- Mike Sopher

Performance Indicators

2006 Customer Survey



FFMC management uses
survey results to measure
the Corporation's ongoing
performance in key performance
areas and to determine any
corrective actions that
may be required.

customer survey was
conducted by Probe
Research in 2006 to
determine whether
FFMC was the
supplier of choice

with regard to quality, service and
reliability. Customers surveyed
included a sampling of companies
from the U.S., Canada, France
and Finland.

This survey was the second follow-up
study to the original base-line study
completed in 2001. The first follow-

up survey was conducted in 2004.

FFMC management uses these
results to measure the Corporation's
ongoing performance in these key
performance areas and to determine
any corrective actions that may
be required.

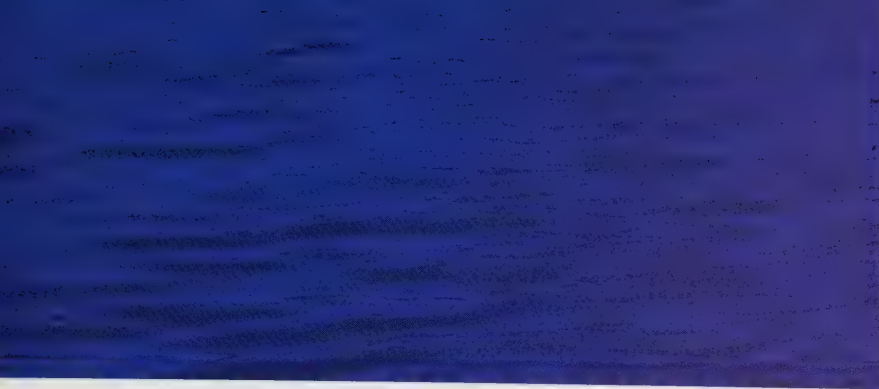
The 2006 results showed
improvement in most areas
including service, reliability and
overall performance. A condensed
summary of the results are
presented in the table below.

Survey Results: Performance Evaluation

Factor	2001 Score	2004 Score	2006 Score
Service	4.3 out of 5	3.8 out of 5	4.1 out of 5
Quality	4.4 out of 5	3.8 out of 5	4.2 out of 5
Reliability	4.4 out of 5	3.9 out of 5	4.1 out of 5
Overall Performance	7.7 out of 10	7.2 out of 10	7.6 out of 10

Probe Research 2006

Other measures of performance included customers' opinions regarding FFMC's
status as an industry leader and preferred supplier. The following is a summary
of the survey results.



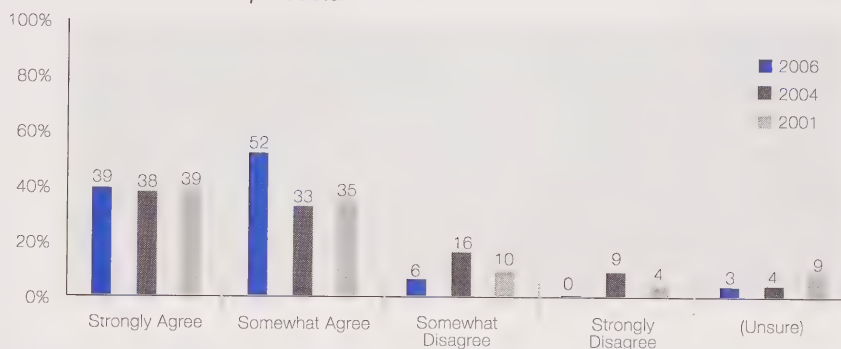
Preferred Supplier

Probe Research 2006

When asked whether respondents agreed with the statement that FFMC was their preferred supplier of freshwater fish products, nine in ten respondents (91%) indicated they "strongly" (39%) or "somewhat agreed" (52%). Overall agreement with this statement is somewhat higher than those levels reported in both 2004 (71%) and 2001 (74%).

*"... tell me if you personally agree or disagree with what I am saying.
(Is that somewhat or strongly?)"*

Statement 1: "Freshwater Fish Marketing Corporation is my preferred supplier of freshwater fish products."



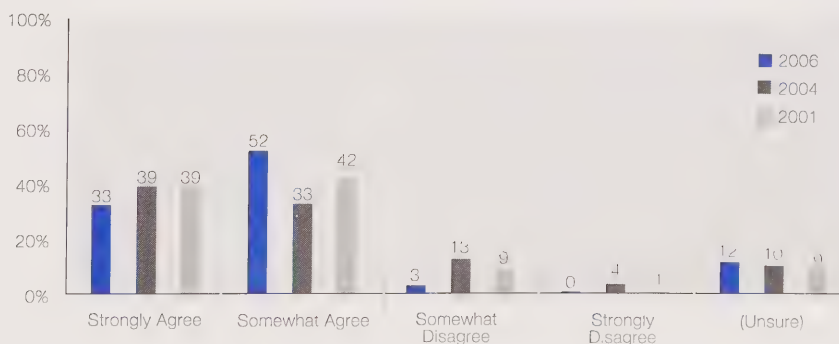
Industry Leader

Probe Research 2006

The view that FFMC is an industry leader was held by 85% of respondents (33% strongly agree; 52% somewhat agree). This figure is somewhat higher than in 2004 (72%) and 2001 (80%).

*"... tell me if you personally agree or disagree with what I am saying.
(Is that somewhat or strongly?)"*

Statement 2: "Freshwater Fish Marketing Corporation is an industry leader."



2006/07 Fisher Profile Survey II

The socio-economic characteristics of fishers have not changed significantly between 2004 and 2007. Reported median fishing income has not decreased as expected.

An initial survey of fishers was undertaken in 2003/04 in order to gather their attitudes and opinions related to FFMC performance and measure their support for the legislated mandate of the Corporation. A second fisher profile survey was conducted in 2006/07 with support from Fisheries and Oceans Canada.

Comparative Fisher Demographics

	2007 Results	2004 Results
Median Age	49	45
Sex	89% male	90% male
Aboriginal/Métis Heritage	72%	75%
Education Less than High School	70%	74%

Probe Research 2006

Comparative Fisher Economics

	2007 Results	2004 Results
Fishing Primary Source of Income	57%	52%
Median Fishing Income	\$10,000	\$10,000
Working for Other Income	47%	54%
Median Other Income	\$16,000	\$13,000
Average Weeks of Fishing	12.4	13.2
Deliver All Fish to FFMC	61%	59%
Collecting EI Benefits	48%	49%
Collecting Social Assistance	19%	20%

Probe Research 2006

The socio-economic characteristics of fishers have not changed significantly between 2004 and 2007. Reported median fishing income has not decreased as expected since FFMC returns to fishers declined by 22% since the 2004 survey was completed. Median income from other employment is significantly higher.

Understanding FFMC

Two-thirds of fishers (unchanged since 2004) believe FFMC operates more like a government department than a business. Only 35% (down from 44% in 2004) know that FFMC distributes profits to fishers, while 77% (up from 75% in 2004) believe that FFMC keeps some of its profits. Large and increasing numbers of fishers believe that FFMC receives financial assistance from federal (59%, up from 53% in 2004) or provincial (45%, up from 42% in 2004) governments, which is not true. Understanding of the financial fundamentals of the Corporation continues to be an area of weakness.

Support for the Mandate and Performance under the Mandate

A solid, but reduced, majority of fishers continue to support the single desk marketing arrangement (64%, down from 69% in 2004) and FFMC's exclusive marketing rights in export and interprovincial fish trade (66%, down from 71% in 2004). Assessment of FFMC's performance under the mandate fell from 78% who felt that FFMC was doing a "good job" in 2004 to 66% in 2007. These overall results are not surprising, given the fact that the three years preceding the 2004 survey set records for FFMC performance, while the financial performance of the last three years has been poor in comparison. Fifty-seven percent of fishers (vs. 59% in 2004) indicated that they are still optimistic about the future of the freshwater fish industry.

The Fisher Profile Survey II also delved into two new areas of inquiry that were not included in 2004.

Satisfaction and Importance by Function

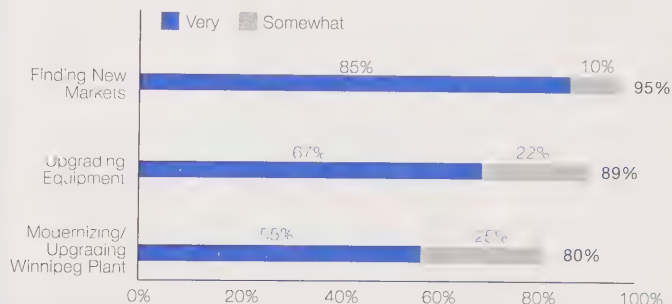
Survey respondents were asked to rate the importance of various functions of FFMC and also indicate how satisfied they were with FFMC's performance in each function area. This enabled a gap analysis. Three stand out: (1) 82% felt that "developing new markets" was important and only 47% expressed satisfaction with FFMC's performance; (2) "developing new products" was important to 76% of fishers, with 43% reporting satisfaction with FFMC efforts; and (3) "frequent communication" was important to 80% of fishers, but only 46% were satisfied with FFMC's performance in this respect.

Renewal and Development

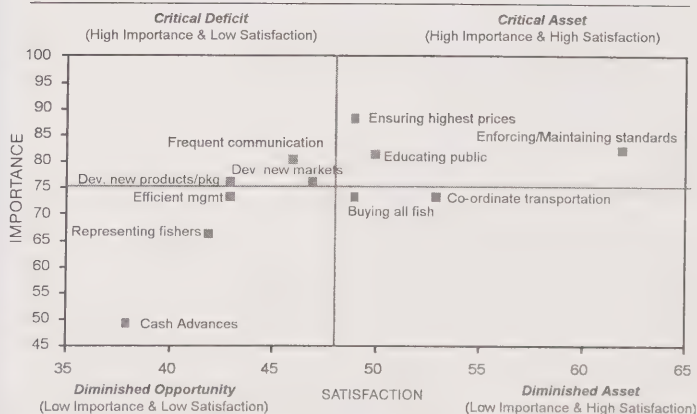
Most fishers felt that it was important to invest in renewal and development of the business in all three of the crucial areas of market development, upgrading equipment, and modernizing the processing plant. A majority of fishers (52%, 60% and 66%, respectively) were of the opinion that the government(s) should fund re-investment in all three areas.

Importance of Renewal/Development Probe Research 2006

"FFMC has identified several areas that will require significant investment to ensure the survival and performance of the company in the future. I want to describe a few of these areas and for each one, I'd like you to tell me how important it is that this area receives financial support..." (n=500)



Quadrant Analysis of FFMC's Overall Performance on Mandate Components Probe Research 2006



Ten-Year Financial Summary

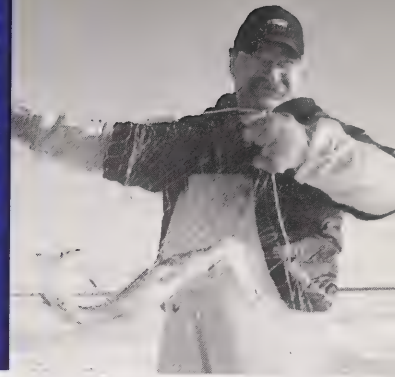
Fiscal Year ended April 30 (All amounts in millions of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3	\$59.3	\$55.3	\$61.6
Net Income Before Final Payments	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)	\$1.4	\$0.8	\$0.7
Fish Purchases	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7	\$30.4	\$29.2	\$32.1
Net Income Plus Fish Purchases	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9	\$31.8	\$30.0	\$32.8
Accounts Receivable - Trade	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9	\$7.0	\$5.1	\$6.0
Inventory – Finished Fish Products	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4	\$12.4	\$12.6	\$12.0
Inventory – Packaging Material and Parts	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9	\$1.0	\$0.9	\$0.9
Capital Assets – Net Book Value	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7	\$6.3	\$6.1	\$8.6
Loans Payable	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1	\$18.4	\$17.8	\$20.7
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3	\$3.3	\$3.3	\$3.3

*** Retained Earnings**

Over the years, the Corporation gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFMC, it provides some security against unexpected downturns in the market or extremely serious financial setbacks, such as the net income loss that occurred during the 2003/04 fiscal year as a result of the sharply (12%) lower US-to-Canadian dollar exchange rate. This situation caused a decrease in Retained Earnings of \$0.8 million, to \$3.3 million.

How Fishers are Paid



The *Freshwater Fish Marketing Act* mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

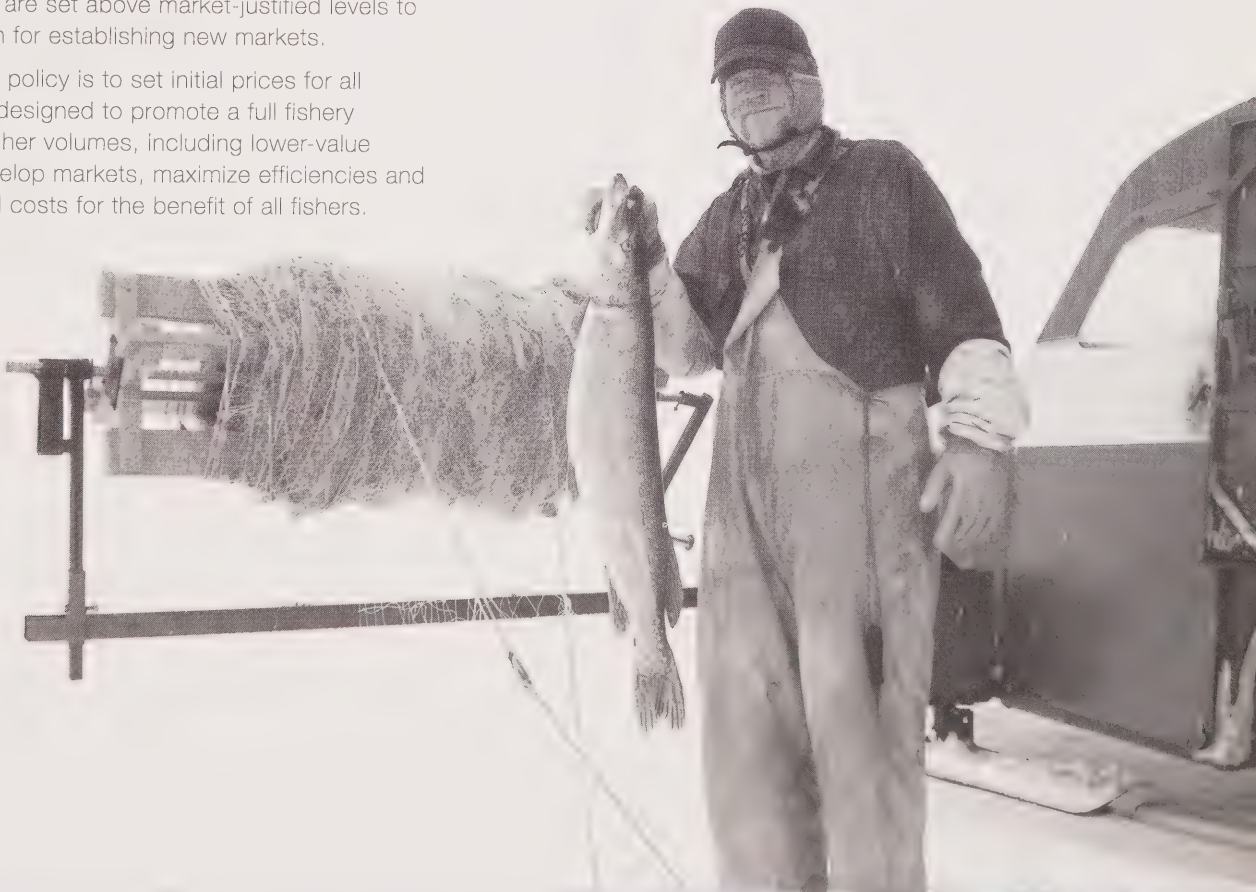
Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets or products. Then initial prices are set above market-justified levels to secure production for establishing new markets.

The Corporation's policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. A temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Office of the Auditor General, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results.



Financial Returns and Deliveries

TEN YEAR SUMMARY (1998-2007), FISCAL YEAR ENDED APRIL 30
Initial and Final Payments in Millions of Dollars (Current Dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
¹ Delivered Weight - Round Equivalent Weight (millions of kilograms)										
Pickering										
Delivered weight ¹	2.8	3.7	4.6	5.7	5.1	5.1	5.6	5.6	6.0	6.4
Price/Round Kg. ²	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45	\$3.41	\$3.15	\$3.35
Initial Payment ³	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3	\$17.9	\$18.2	\$20.8
Final Payment	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0	\$1.2	\$0.71	\$0.67
Total Payment	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3	\$19.1	\$18.91	\$21.47
3 Yr. Moving Avg. ⁴	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9	\$20.7	\$19.1	\$19.8
Whitefish										
Delivered weight ¹	5.5	5.3	5.6	6.5	6.8	7.0	6.7	5.9	5.4	5.5
Price/Round Kg. ²	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10	\$1.00	\$1.02	\$1.09
Initial Payment ³	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0
Final Payment	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0
3 Yr. Moving Avg. ⁴	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9	\$7.2	\$6.3	\$5.8
Northern Pike										
Delivered weight ¹	2.4	2.7	2.8	2.6	2.5	2.4	2.3	1.9	1.3	1.7
Price/Round Kg. ²	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65	\$0.58	\$0.62	\$0.59
Initial Payment ³	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0
Final Payment	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0
3 Yr. Moving Avg. ⁴	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$1.0
Sauger										
Delivered weight ¹	1.0	1.1	1.0	0.6	0.7	0.8	0.8	0.6	0.3	0.2
Price/Round Kg. ²	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13	\$2.83	\$3.17	\$2.5
Initial Payment ³	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5	\$1.6	\$0.9	\$0.5
Final Payment	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0	\$0.1	\$0.05	\$0.0
Total Payment	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5	\$1.7	\$0.95	\$0.5
3 Yr. Moving Avg. ⁴	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8	\$2.4	\$1.7	\$1.1
Mullet										
Delivered weight ¹	3.7	3.9	5.8	5.4	5.0	5.4	3.9	2.6	2.6	1.9
Price/Round Kg. ²	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26	\$0.27	\$0.31	\$0.37
Initial Payment ³	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7
3 Yr. Moving Avg. ⁴	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3	\$1.0	\$0.8	\$0.7
Perch										
Delivered weight ¹	0.2	0.2	0.2	0.2	0.6	0.5	0.3	0.2	0.2	0.2
Price/Round Kg. ²	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00	\$3.50	\$2.70	\$3.15
Initial Payment ³	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9	\$0.6	\$0.5	\$0.6
Final Payment	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0	\$0.1	\$0.04	\$0.03
Total Payment	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9	\$0.7	\$0.54	\$0.63
3 Yr. Moving Avg. ⁴	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8	\$1.1	\$0.7	\$0.6
Other										
Delivered weight ¹	1.2	1.3	1.3	1.3	1.3	1.6	1.1	0.9	0.9	1.0
Price/Round Kg. ²	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73	\$0.67	\$0.67	\$0.6
Initial Payment ³	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8	\$0.6	\$0.6	\$0.6
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8	\$0.6	\$0.6	\$0.6
3 Yr. Moving Avg. ⁴	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.7	\$0.6
All Pools										
Delivered weight ¹	16.8	18.2	21.3	22.3	22.0	22.8	20.7	17.7	16.7	16.9
Price/Round Kg. ²	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61	\$1.68	\$1.68	\$1.8
Initial Payment ³	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4	\$28.4	\$27.3	\$30.2
Final Payment	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0	\$1.4	\$0.8	\$0.7
Total Payment	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4	\$29.8	\$28.1	\$30.9
3 Yr. Moving Avg. ⁴	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3	\$34.7	\$30.4	\$29.6

Management's Responsibility for Financial Statements

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal studies, which consist of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 6, 2007



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, except for a remuneration payment of unused sick leave for which approval was not obtained in accordance with Section 108 (1) of the *Financial Administration Act*, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 6, 2007

Balance Sheet

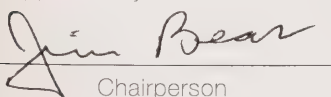
Financial Statements

as at April 30 (in thousands)

	2007	2006
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 765	\$
Accounts receivable	6,487	5,470
Inventories (Note 4)	12,919	13,572
Prepaid expenses and other assets	458	468
	<u>20,629</u>	<u>19,510</u>
Property, plant and equipment (Note 5)	8,572	6,127
	<u>\$ 29,201</u>	<u>\$ 25,637</u>
LIABILITIES		
Current		
Bank overdraft	\$ -	\$ 1
Accounts payable and accrued liabilities	4,412	3,743
Provision for final payments to fishers	727	799
Loans payable (Note 6)	20,740	17,772
	<u>25,879</u>	<u>22,315</u>
Contingencies (Note 13)		
RETAINED EARNINGS		
Retained earnings	3,322	3,322
	<u>\$ 29,201</u>	<u>\$ 25,637</u>

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairperson


Director

Statement of Operations and Retained Earnings

for the year ended April 30 (in thousands)	2007	2006
OPERATIONS		
Sales		
Export	\$ 51,908	\$ 46,053
Domestic	9,708	9,270
	<u>61,616</u>	<u>55,323</u>
Cost of sales		
Opening inventory of finished fish products	12,645	12,386
Add purchases and processing expenses:		
Fish purchases	32,068	29,155
Salaries, wages and benefits (Note 9)	9,300	8,806
Packing allowances and agency operating costs	4,898	5,085
Packaging and storage	3,657	3,354
Utilities and property taxes	1,302	1,237
Amortization of production assets	1,340	1,168
Repairs and maintenance	688	690
Other	831	824
	<u>66,729</u>	<u>62,705</u>
Less ending inventory of finished fish products (Note 4)	<u>(12,028)</u>	<u>(12,645)</u>
	<u>54,701</u>	<u>50,060</u>
Gross profit on operations	6,915	5,263
Marketing and administrative expenses		
Salaries and benefits (Note 9)	1,970	2,147
Interest and foreign exchange gains and losses (Note 8)	1,769	5
Commissions (Note 7)	1,103	1,025
Data processing, office and professional services	552	496
Advertising and promotion	247	204
Meeting fees and expenses	167	166
Amortization of administration assets	117	165
Other	263	256
	<u>6,188</u>	<u>4,464</u>
Income before provision for final payments to fishers	727	799
Provision for final payments to fishers	<u>727</u>	<u>799</u>
Net income for the year (Note 10)	-	-
Retained earnings at beginning of the year	3,322	3,322
Retained earnings at end of the year	\$ 3,322	\$ 3,322

The accompanying notes are an integral part of the financial statements

Statement of Cash Flows

for the year ended April 30 (in thousands)	2007	2006
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income for the year	\$ -	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,457	1,333
Loss on disposal of property, plant and equipment	60	58
Net changes in non-cash working capital		
balances relating to operations	315	1,091
Decrease in provision for final		
payments to fishers	(72)	(557)
Cash provided by operating activities	1,760	1,925
Investing activities		
Additions to property, plant and equipment	(3,996)	(1,245)
Proceeds on disposal of property, plant and equipment	34	11
Cash used for investing activities	(3,962)	(1,234)
Financing activities		
Increase (decrease) in loans payable	2,968	(662)
Cash provided by (used for) financing activities	2,968	(662)
Increase in cash and cash equivalents during the year	766	29
Bank overdraft at beginning of year	(1)	(30)
Cash and cash equivalents (Bank overdraft) at end of year	\$ 765	\$ (1)
Represented by:		
Cash	432	-
Term deposit	333	-
Bank overdraft	-	(1)
	\$ 765	\$ (1)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

April 30, 2007

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$32.3 million for the 2006/07 fiscal year.

An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to \$50 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Freshwater Fish Marketing Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these financial statements are summarized on the following pages and conform in all material respects to Canadian GAAP.

Cash and cash equivalents

Cash and cash equivalents include cash and term deposits, maturing in less than three months from acquisition date.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in interest and foreign exchange gains and losses.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply

hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses and other assets. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of interest and foreign exchange gains and losses. Derivatives are intended to be held to maturity resulting in the cumulative unrealized gains and losses on individual derivative instruments netting to zero over the life of the instruments.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value and derivative financial instruments measured at fair value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations. If actual results differ from these estimates, the impact would be recorded in future periods.

Future accounting changes

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Corporation's next fiscal year. The Corporation is in the process of determining the impact that these standards will have on its financial reporting.

Section 3855 - Financial Instruments — Recognition and Measurement — This standard establishes criteria for the recognition, derecognition, measurement and classification of financial instruments. The Corporation will be required to categorize its financial assets as held for trading, held to maturity, available for sale, or as loans and receivables. The Corporation will also be required to categorize its financial liabilities as held for trading or other liabilities. The related accounting treatment will be dependent on the classification. Financial assets and liabilities categorized as held for trading or available for sale are to be measured at fair value while financial assets and liabilities held to maturity, loans and receivables, and other liabilities are to be measured at amortized cost.

Section 1530 - Comprehensive Income — This standard requires certain gains and losses such as those arising from the change in the fair value of cash flow hedges or assets classified as available for sale, that would otherwise be recorded as part of net income, to be presented in other comprehensive income until such time as it is considered appropriate for them to be recognized in net income. A new financial statement entitled Comprehensive Income may be required in order to record such amounts until they are realized.

Section 3865 - Hedges — This standard establishes when and how hedge accounting can be applied. Derivatives will be classified as held for trading unless designated as hedging instruments. All derivatives will be measured at fair value. For derivatives that hedge the changes in the fair value of an asset or liability, changes in the derivatives' fair value will be reported in the net income and offset by changes in the fair value of the hedged asset or liability. For derivatives that hedge variability in cash flows, the effective portion of changes in the derivatives' fair value will be initially recognized in other comprehensive income, and will subsequently be reclassified to net income in the periods affected by the variability in the cash flows of the hedged item.

The following additional standard will come into effect for the Corporation's 2009 fiscal year. The Corporation is also in the process of determining the impact that this standard will have on its financial reporting.

Section 3031 – Inventories – This standard will effect the measurement and disclosure of the Corporation's inventory. The measurement changes include the allocation of fixed production costs based on the normal capacity of the production facilities and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories will also be enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs will be required to be disclosed.

3. CASH AND CASH EQUIVALENTS

As at April 30, 2007, cash and cash equivalents included a \$300 thousand U.S. dollar denominated term deposit (\$333 thousand Canadian dollar) in a Canadian bank. The average term to maturity was 1 day (2006 - nil) and the yield to maturity at April 30, 2007 was 4.7388% (2006 – nil).

4. INVENTORIES

(in thousands)	2007	2006
Finished fish products	\$ 12,028	\$ 12,645
Packaging material and supplies	891	927
	<u>\$ 12,919</u>	<u>\$ 13,572</u>

5. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	9,020	6,517	2,503	2,317
Equipment	16,291	13,355	2,936	2,910
Fresh fish delivery tubs	1,438	437	1,001	236
Vessels	1,515	167	1,348	150
Construction in progress	448	-	448	178
	<u>\$ 29,048</u>	<u>\$ 20,476</u>	<u>\$ 8,572</u>	<u>\$ 6,127</u>

6. LOANS PAYABLE

(in thousands)	2007	2006
Promissory note	\$ 4,440	\$ 4,472
Bankers acceptances	16,300	13,300
	<u>\$ 20,740</u>	<u>\$ 17,772</u>

The bankers acceptances are unsecured, bear interest at 4.28% (2006 – 4.05%) and mature on May 2, 2007.

The \$4,000 thousand U.S. dollar denominated promissory note (\$4,440 thousand Canadian dollar) is unsecured, repayable in U.S. dollars, bears interest at 5.77% (2006 – 4.60%) and matures on August 20, 2007.

7. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,103 thousand (2006 - \$1,025 thousand) to sales agents. Included in that amount is \$1,084 thousand (2006 - \$990 thousand) of commissions paid to foreign sales agents.

8. INTEREST AND FOREIGN EXCHANGE GAINS AND LOSSES

Interest and foreign exchange gains and losses of \$1,769 thousand (2006 - \$5 thousand) includes interest of \$1,217 thousand (2006 - \$838 thousand), a net foreign exchange loss of \$885 thousand (2006 - net gain of \$573 thousand) and an unrealized fair value adjustment gain on derivative financial instruments of \$333 thousand (2006 - unrealized gain of \$260 thousand).

Interest paid during the year amounted to \$1,179 thousand (2006 - \$714 thousand).

9. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2007	2006
Corporation's contributions	\$ 643	\$ 634
Employees' contributions	\$ 300	\$ 282

10. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2006 - nil). At April 30, 2007 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to \$2,714 thousand (2006 actual - \$2,727 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation generates a significant portion of its sales in U.S. dollars and uses derivative financial instruments to reduce its exposure to change in the value of U.S. dollars. The Corporation currently uses the following types of instruments:

Open dated foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery during a specified period in the future at a fixed rate.

Foreign exchange call options - right to purchase currencies at a specified price within a specific time period.

Included in prepaid expenses and other assets is an amount of \$333 thousand (2006 - \$260 thousand) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2007	2006
Open dated foreign exchange forward contracts	\$ 265	\$ 251
Foreign exchange call options	68	9
	<u>\$ 333</u>	<u>\$260</u>

Notional principal amounts outstanding as at April 30 are listed below for the open dated foreign exchange contracts and foreign exchange call options entered into by the Corporation. The remaining term to maturity of all of these derivative financial instruments are under one year.

(in thousands)	2007	2006
Open dated foreign exchange forward contracts	\$ 8,569	\$ 7,723
Foreign exchange call options	\$ 8,325	\$ 6,065

In any transaction there is a potential for loss. The risk of loss relating to the Corporation's derivative financial instruments is represented by (1) credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the Corporation to incur a financial loss, and (2) market risk, where an exposure exists as a result of the possibility of adverse changes in foreign exchange rates. The Corporation manages its exposure to credit risk by contracting only with creditworthy counterparties. The Corporation manages its exposure to market risk (foreign exchange) by acquiring derivative financial instruments only within limits approved by the Board of Directors.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments. Derivative related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the open dated foreign exchange forward contracts is calculated using the current market spot and forward exchange rates at the end of the year, taking into consideration the closing date of the open dated foreign exchange forward contracts. The estimate of the fair value of the foreign exchange call options is calculated using the valuation technique commonly used for these instruments.

13. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

Corporate Governance



Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal

Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2006/07 fiscal year, six of those Directors were fishers and six were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region.

The Corporation's Board members met eight times in Winnipeg during the fiscal year. Once per quarter, the Board undertook a comprehensive review of financial results and operational issues. In May 2006, there was a special meeting of the Board to interview the

preferred candidate for the President and CEO position, John Wood; the position was available as a result of Robert Hand's retirement. During the early August 2006 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2005/06 Annual Report. Late in November 2006, the Board met for a retirement dinner, to recognize the long-term, considerable contribution of Alberta Board member, David McArthur. This coincided with a visit the following day by the Minister of Fisheries and Oceans, Loyola Hearn, to the Corporation offices and a meeting with Board members. In early April 2007, the Board met to approve its five-year annual Corporate Plan and operating budget for submission to Treasury Board.

The Board considered six applications under the Export Dealers Licence policy and approved two.

Major conferences or annual meetings attended included the Alberta Commercial Fishermen's Association, Manitoba Commercial Inland Fisheries Federation, Dauphin River fishers, Victoria Beach fishers, Northwest Territories Fishermen's Federation, Crown Corporate Governance 2007 conference, State of the Industry: Food & Beverage Benchmarking Forum, Saskatchewan Cooperative Fisheries Ltd., Boston and Brussels Seafood Shows.

Board of Directors



Jim Bear

Chairperson of the Board
Scatterbury, Manitoba
Occupation: Political Advisor,
Southeast Tribal Council
Served on FFMC Board: 6 years



John K. Wood

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 7 months



Robert F. Hand (retired Oct. 2006)
President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 7 years



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 11 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 11 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 8.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 17 years



David McArthur (retired Dec. 2006)

Lac La Biche, Alberta
Occupation: (Retired) Executive
Director, Alberta Commercial
Fishermen's Association
Served on FFMC Board: 25.5 years



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 8 years



Terry Hansen (term ended Oct. 2006)
Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 4 years



Ron Ballantyne

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: 3.5 years



Bob Paterson

Sioux Lookout, Ontario
Occupation: Area Supervisor,
Ontario Ministry of Natural Resources
Served on FFMC Board: 3 years



Peter A. Beatty

Deschambault Lake, Saskatchewan
Occupation: Vice-Chief, Peter Ballentyne First Nation
Served on FFMC Board: 7 months



Gail Wood

Edmonton, Alberta
Occupation: Owner, Wayne Wood Fresh Fish Ltd.
Served on FFMC Board: 3 months

John K. Wood

President and Chief Executive Officer (from Oct. 2006)
Email: john.wood@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com

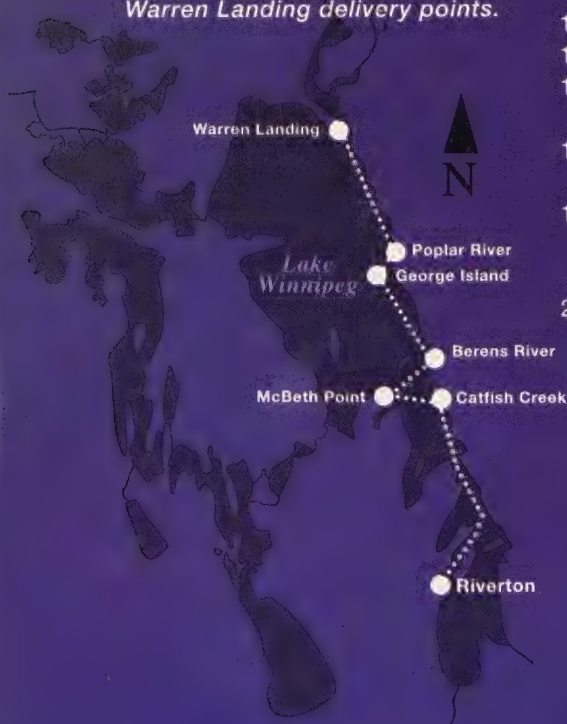


M.S. Goldfield

Serving Freshwater Fish Marketing Corporation 1989 to 2006

M.S. Goldfield "the boat of many names":

Approximately 180 fishers on the remote east side of Lake Winnipeg's North Basin depend on transportation by boat to deliver more than 840,000 kilograms of pickerel and whitefish annually. The M.S. Goldfield provided freighting service to the Berens River, George Island, Poplar River, McBeth Point, and in earlier days, Cattfish Creek and Warren Landing delivery points.



- 1886: First built as the "S.S. Frank Burton" by Captain John Hall for Reid and Tait Fisheries of Selkirk, Manitoba.
- 1890: Acquired by the Phoenix Brick, Tile and Lumber Co. and renamed the "S.S. Minerva".
- 1905: Larry Fisher (former transportation manager of Phoenix Brick company) rebuilt and renamed her the "S.S. Goldfield", after a promising gold mine in the Bissett, Manitoba area. His intention was to transport passengers and freight from Selkirk to Manigotagan for the gold mines. He went out of business a few years later.
- 1908: The federal government took over the boat and she was used by the hydrographic survey of Lake Winnipeg.
- 1914: Riverton Fisheries (plant at Hnaua, Manitoba) acquired her for use as a fishing tug and towboat.
- 1919: Gimli Fisheries purchased and rebuilt the boat for use as a lake freighter. Her final name change to the "M.S. Goldfield" denoted the switch from steam to motor power.
- 1930: Converted to diesel engine by Armstrong (Gimli). She was among the first diesel-power vessels on Lake Winnipeg.
- 1939: B.C. Packers acquired ownership until 1969.
- 1952: The boat was rebuilt with steel frames and a Rolls Royce diesel engine.
- 1969: Sigurdson Fisheries Co. of Riverton, Manitoba bought the Goldfield, ending 50 years of calling Gimli her home port.
- 1972: Sigurdson Fisheries Co. rebuilt the boat again with a steel hull and re-powered her with Detroit diesels from the J.R. Spear (another vessel).
- 1989: The M.S. Goldfield was purchased by Freshwater Fish Marketing Corporation for use as a freighter on Lake Winnipeg. Her home port remained in Riverton for the next 17 years.
- 2006: Final retirement from longstanding service of "the boat of many names". The M.S. Goldfield was replaced by the Poplar River barge.

The Goldfield has been donated to the Town of Riverton (Manitoba) historical society.



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ANNUAL REPORT





LETTER OF *Transfer*



FROM CHAIRPERSON OF THE BOARD OF DIRECTORS
TO MINISTER OF FISHERIES AND OCEANS

Honourable Loyola Hearn
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Hearn:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ended April 30, 2008.

The Board of Directors and senior management completed a series of strategic planning workshops early in the fiscal year, setting the direction for the Corporation over the next five to ten years. The four long-term goals of FFMC were updated: to generate market value and leadership; to manage an effective and efficient supply chain from "lake-to-plate"; to maintain corporate viability and sustainability; and finally, to assure continued stakeholder confidence.

FFMC's mandate was reaffirmed with a revised statement of corporate commitment to stakeholders: *To maximize returns to the fishers of western Canada through effective marketing, efficient supply chain management, and the value-added processing of quality freshwater fish products.*

Respectfully,

Jim Bear
Chairperson of the Board

TABLE OF CONTENTS

- 1. Letter of Transfer
- 2. Executive Summary
- 3. Financial Summary
- 4. Strategic Planning
- 5. Marketing & Sales
- 6. Supply Chain Management
- 7. Environmental & Sustainability
- 8. Governance
- 9. Financial Statements
- 10. Appendixes and Exhibits
- 11. Board of Directors
- 12. Financial Summary

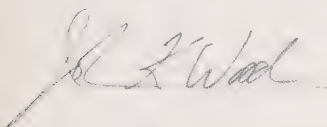
PRESIDENT'S *Report*

The 2007/08 fiscal year showed significant strengthening of market prices in a majority of our species, led by strong performances in pickerel and whitefish. As well, the Corporation capitalized on opportunities to positively impact pricing across many of its key markets and customers. Despite these gains, overall dollar sales for the Corporation dropped versus the prior year, driven by an ongoing supply shortage in several species, particularly whitefish.

The Corporation's vision is for an organization that maintains a central role in the conduct of the western Canada fishery. The 2007 Strategic Plan, designed to guide FFMC over the next five to ten years, has now been presented to the Minister and Deputy Minister of the Department of Fisheries and Oceans in Ottawa, and similar presentations will be rolled out early in the new fiscal year to other key stakeholders and government representatives. In refining the corporate purpose, vision and goals, the strategic planning team assigned high priority to balancing the need to assure the Corporation stays true to its original purpose, while evolving to remain relevant to the fishers it serves and competitive in today's market environment.

It is with this objective in mind that the Corporation began the process of building for the future by filling missing technical and management skill sets and holding a portion of this year's higher profits in retained earnings to help fund reinvestment in the plant and equipment.

Respectfully,



John K. Wood
President and Chief Executive Officer
Winnipeg, Manitoba



- Freshwater Fish Marketing Corporation
- 2007-2008 Annual Report
- December 31, 2008
- 100% ownership
- 100% ownership

33

CORPORATE *Profile*

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers.

Surpluses, in the form of final payments, are distributed annually to participating fishers.

The Board of Directors, with the President and Chief Executive Officer, governs the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2007/08 fiscal year, six of those Directors were fishers and six were Aboriginal. A three-member Executive Committee assists the President and forty-six full-time staff provide administrative support.

The Corporation employs in excess of 150 full-time production personnel, which may increase during peak periods. Thirty-one contracted agents and three corporate agencies grade and purchase fish at fifty-six delivery points. Approximately two thousand three hundred fishers deliver the product harvested from more than four hundred lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety.

The Corporation is a recognized price leader, exercising its mandate to market fish interprovincially and internationally. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France. The Corporation's plant is kosher-certified and the largest individual supplier of freshwater fish to the gefilte fish market.



MANAGEMENT *Discussion & Analysis*

After achieving a significant turnaround in total returns to fishers in 2006/07, total returns declined by 3.9% in 2007/08 from \$30.9 million to \$29.7 million (see page 10). This result is not a general decline in the business but the net effect of widely-varying results by species.

The pickerel / walleye pool has had a very solid year with average selling prices increasing, despite pressures from a declining US economy. With sales volume up slightly to 3,010,900 kilograms, revenue increased by over \$700,000, bringing the pool's return-to-fishers result to \$21.7 million. Whitefish prices began the year in a strengthening trend and continued throughout the year, ending up 13.5% over the previous year. Against this, whitefish deliveries to the Corporation were down a dramatic 31%, generating a greatly-reduced return-to-fishers result for the whitefish pool. The trend of higher selling prices but lower delivery volumes was consistent across most other species and a 13% decline in deliveries pulled down the Corporation's return-to-fishers figure. Returns-to-fishers on a per round kilogram equivalent were \$2.02/kg, an increase of 12% versus the prior year.

Delivery and price trends

The decline in deliveries of most species appears to be driven by economics: for many fishers, it is simply not financially viable to harvest low-valued species at existing prices when the cost of fuel, labour and many other inputs has increased so dramatically. This, along with the alternate income available

from the jobs provided by a strong western economy, has created a situation in which participation in the fishery has declined. The one significant exception to this trend is the high-value pickerel fishery in which record landings have been driven by healthy stocks and steady prices.

Declining deliveries is a cause of great concern for the Corporation, as it results in customer orders being shorted, postponed or canceled altogether, putting at risk several years of market-building activity. In addition, lower volume through the plant results in higher fixed costs per unit, reducing margins and the ability to compete. 2007/08 was a first for the Corporation in securing product through Great Lakes processors. This key strategic alliance was accomplished due to FFMC's recognized leadership in marketing and sales efforts, resulting in our ability to better serve our customers. Continuity of supply is critical to the long-term success of the Corporation. With market prices showing continued strength, the Corporation has been able to increase initial prices to fishers for the coming year. The expectation is that these higher prices will generate an increase in fishery participation and effort and this in turn will reverse the decline in delivery volume.

Average selling prices across all species increased by 12.0%, an excellent achievement given that the Canadian Dollar strengthened by a further 11.0% against the US Dollar on a year-over-year average basis. The combined effect meant that key US markets experienced a 20-25% US Dollar price increase over the year.

Cost Management

In keeping with its long-term objective of driving costs out of the supply chain, the Corporation has continued existing initiatives and implemented several new ones. The Processing Operating System - Phase One completed its second full year and Phases Two and Three their first full year of operation. Total cumulative labour savings from this project had reached \$1.51 million by year-end, meaning that it has now fully paid back its \$0.86 million cost and is adding to net returns every year. Efforts continue to be focused upon cost reduction and to this end, a Cost Accountant and Supply Chain Manager have been added to the management team. The addition of an experienced Supply Chain Manager represents the first time that responsibility for the complete supply chain has resided with one individual and marks a significant change in how the Corporation manages its systems and processes.

The most significant capital expenditure for the plant in several years was in progress at year-end. The existing spiral freezer was retired after 27 years of service and replaced by a larger, more efficient model capable of freezing 2.9 tonnes per hour. This is Phase One of a \$2 million project designed to extend the processing cycle, thus stabilizing staffing requirements throughout the year by absorbing seasonal delivery peaks into frozen inventory and processing defrosted product in a more efficient manner. This further benefits the Corporation by enabling it to be active in the lucrative fresh market over an extended period.

STRATEGIC *Directions*

Through the first half of the 2007/08 fiscal year, a team comprised of Board members, management and an outside facilitator completed a strategic review of the Corporation's business situation and then developed a strategic plan designed to guide the Corporation over the next five to ten years. The strategic team began its work with a 'Situation Analysis', a comprehensive look at the many factors that may impact the business during the five-to-ten year planning period. It is not possible to cover all these factors in detail; what follows is a summary of those with the most significance to the Corporation.

Situation Analysis Brand Advantage

The Corporation has a strong brand position and awareness level in the markets in which it operates. This strength, along with a detailed understanding of its customers' needs, has given the Corporation the ability to act as the price leader in these markets.

Global Food Chain

Freshwater Fish must compete in a global food chain that provides consumers with an abundance of alternatives for their food dollar. As barriers to entry fall, the Corporation's traditional markets have come under increasing pressure from international competition.

Strength of the Canadian Economy

Consumers spend more of their income on higher quality food products, generating demand and higher market prices. On the negative side, labour is in short supply for harvesting and processing and fuel prices increase the cost of fishing and freight.

Declining Volume of Deliveries

With the exception of pickerel / walleye and recently northern pike, the volume of deliveries is in decline. The reason for this decline is entirely economic, as the rising Canadian dollar reduced buying prices just as the cost of fuel and labour was increasing. In a strong western economy, alternative employment has proven more lucrative, resulting in reduced fishery participation and effort. As the new fiscal year opens, buying prices are beginning to catch up with costs and may signal the start of a turnaround in delivery trends.

Fishery Management / Sustainability

Multi-national retail chains are 'going green', which means asking for proof that wild-caught fish is coming from sustainable fisheries. Certification of sustainability is a long and expensive process but one that will become a necessity to ensure continued market access.

Increasing Food Safety Regulation Worldwide

Freshwater Fish already meets the very stringent standards for registration by the Canadian Food Inspection Agency (CFIA) and has in place the QMP, HACCP and other programs required. But as markets such as the European Union continue to tighten their requirements, the Corporation must respond or lose its ability to export.

Consumer and Customer Requirements

Consumers and customers (restaurants and supermarket chains) continue to place a priority on convenience, consistent quality and food safety, while consolidation in both the foodservice and retail channels adds to

EMPLOYEE RECOGNITION 30 YEARS SERVICE

- 1. ...
- 2. ...
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price pressures and more demanding service levels. These trends create a challenging environment in which to maintain or improve margins.

Fish is in Fashion as a Healthy Alternative to Red Meat

Fish has long been considered a healthy food choice and with Omega 3 fatty acids becoming a major consumer health concern, fish has gained in stature as a protein source of choice. Finding products and markets that can leverage this very positive story will provide new opportunities.

Strategies

To address these many challenges and opportunities, the strategic team developed seven strategies that will be used to focus the Corporation's efforts over the planning period. Three themes run through these seven strategies: (1) communication with stakeholders; (2) building partnerships and alliances; and (3) managing the business as an integrated supply chain from lake-to-plate.

Strategy 1. Expand the Business to Create Value and Diversify to Promote Stability

- Evaluate strategic alliances/partnerships that will add new dimensions to the business. These may include: pre-processing preparation and co-packing of new (further processed) products.
- Tapping into additional supplies from non-traditional sources.
- Encourage increased harvesting of valuable species that have not been fully utilized commercially.

Strategy 2. Evolve the Corporation to a Market-oriented Business Model

- Adopt a species-specific business-planning (product line) approach to optimize market and income opportunities for each species.
- Provide fishers with direct input into this species-by-species planning process, recognizing the harvest must be able to respond to the market.
- Invest in markets, products and brands, which will need to start with fact-based and financially sound assessments of each marketing opportunity.

Strategy 3. Promote Sustainable Development and Commercial Viability of the Fishery

- Develop effective two-way communications with fisher communities.
- Build an understanding of the various economic factors impacting the fishery.
- Support government strategies that build fisher profitability.
- Work with governments in managing the harvest to optimize value.

Strategy 4. Develop Processing Infrastructure to Meet Fishery and Market Needs

- Re-invest in modern processing assets that will reduce operating and labour costs, increase yields, maintain quality and address market/product trends.
- Continue to invest in systems that improve plant labour efficiencies and processing yields.
- Develop third-party supplier/co-packer relationships for new product/packaging

development while focusing the FFMC plant on what it does best.

Strategy 5. Ensure the Long-term Financial Viability of the Corporation

- Assure resources are available for long-term re-investment in the business and create stability.
- Capitalize on existing assets.

Strategy 6. Create Organizational Structure to Promote Long-term Viability

- Fill organizational gaps and address missing skill sets by attracting and retaining quality staff. The immediate priority is supply chain management and processing cost control.
- Assure a stable and committed processing workforce consistent with production volumes and patterns.
- Create a culture that supports internal communication and cross-functional teams.
- Optimize the Corporation's ERP information systems.

Strategy 7. Stakeholder Communications

- Identify the most effective communication channels for each stakeholder group and design information packages specific to its needs.
- Develop two-way communications so that the issues and needs of each group are known to FFMC and FFMC's issues and needs are known to its stakeholders.

TEN-YEAR *Financial Summary*

Fiscal Year ended April 30 (All amounts in millions of dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3	\$59.3	\$55.3	\$61.6	\$58.2
Net Income Before Final Payments	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)	\$1.4	\$0.8	\$0.7	\$2.3
Fish Purchases	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7	\$30.4	\$29.2	\$32.1	\$29.2
Net Income Plus Fish Purchases	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9	\$31.8	\$30.0	\$32.8	\$31.5
Accounts Receivable - Trade	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9	\$7.0	\$5.1	\$6.0	\$5.5
Inventory – Finished Fish Products	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4	\$12.4	\$12.6	\$12.0	\$10.6
Inventory – Packaging Material and Parts	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9	\$1.0	\$0.9	\$0.9	\$0.7
Capital Assets – Net Book Value	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7	\$6.3	\$6.1	\$8.6	\$10.6
Loans Payable	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1	\$18.4	\$17.8	\$20.7	\$18.8
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3	\$3.3	\$3.3	\$3.3	\$3.6

* Retained Earnings

Over the years 1980-1994, the Corporation gradually established a retained earnings balance of \$4.2 million. In the 2003/04 fiscal year, a net loss from operations of \$0.8 million reduced this balance to \$3.3 million. With cost controls and stronger prices returning stronger earnings in 2007/08, the Corporation has started rebuilding retained earnings.

HOW FISHERS ARE *Paid*

The *Freshwater Fish Marketing Act* mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets or products. Then initial prices can be temporarily set above market-justified levels to secure production for establishing new markets.

The Corporation's policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes, including lower-value species, help develop markets, maximize efficiencies and contribute to paying fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions.

A temporary delivery premium may be offered for a given species to improve the returns of those fishers willing to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, the profit distribution policy ensures that each species pool makes an appropriate contribution to the financial resources required for long-term re-investment in the business. After the annual audit by the Office of the Auditor General, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The table on page 10 provides a ten-year history of pool results.

A temporary delivery premium may be offered for a given species to improve the returns of those fishers willing to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.



FINANCIAL *Returns & Deliveries*

TEN YEAR SUMMARY (1999-2008), FISCAL YEAR ENDED APRIL 30

Initial and Final Payments in Millions of Dollars (Current Dollars)

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
¹ Delivered Weight	Pickering										
- Round Equivalent	Delivered weight ¹	3.7	4.6	5.7	5.1	5.1	5.6	5.6	6.0	6.4	6.2
Weight (millions of kilograms)	Price/Round Kg. ²	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45	\$3.41	\$3.15	\$3.35	\$3.50
	Initial Payment ³	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3	\$17.9	\$18.2	\$20.8	\$20.2
	Final Payment	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0	\$1.2	\$0.71	\$0.67	\$1.5
² Price/Round Kg.	Total Payment	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3	\$19.1	\$18.91	\$21.47	\$21.7
- Based on Initial	3 Yr. Moving Avg. ⁴	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9	\$20.7	\$19.1	\$19.8	\$20.7
Payment plus Final	Whitefish										
Payment	Delivered weight ¹	5.3	5.6	6.5	6.8	7.0	6.7	5.9	5.4	5.5	3.8
	Price/Round Kg. ²	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10	\$1.00	\$1.02	\$1.09	\$1.07
³ Initial Payments	Initial Payment ³	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0	\$3.9
- Net of Freight	Final Payment	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
	Total Payment	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0	\$4.1
⁴ Three Year Moving	3 Yr. Moving Avg. ⁴	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9	\$7.2	\$6.3	\$5.8	\$5.2
Average of Total	Northern Pike										
Payments	Delivered weight ¹	2.7	2.8	2.6	2.5	2.4	2.3	1.9	1.3	1.7	1.9
	Price/Round Kg. ²	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65	\$0.58	\$0.62	\$0.59	\$0.78
	Initial Payment ³	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0	\$1.2
	Final Payment	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3
	Total Payment	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0	\$1.5
	3 Yr. Moving Avg. ⁴	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$1.0	\$1.1
	Sauger										
	Delivered weight ¹	1.1	1.0	0.6	0.7	0.8	0.8	0.6	0.3	0.2	0.1
	Price/Round Kg. ²	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13	\$2.83	\$3.17	\$2.5	\$3.27
	Initial Payment ³	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5	\$1.6	\$0.9	\$0.5	\$0.4
	Final Payment	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0	\$0.1	\$0.05	\$0.0	\$0.0
	Total Payment	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5	\$1.7	\$0.95	\$0.5	\$0.4
	3 Yr. Moving Avg. ⁴	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8	\$2.4	\$1.7	\$1.1	\$0.6
	Mullet										
	Delivered weight ¹	3.9	5.8	5.4	5.0	5.4	3.9	2.6	2.6	1.9	1.8
	Price/Round Kg. ²	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26	\$0.27	\$0.31	\$0.37	\$0.38
	Initial Payment ³	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7	\$0.6
	Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
	Total Payment	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7	\$0.7
	3 Yr. Moving Avg. ⁴	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3	\$1.0	\$0.8	\$0.7	\$0.7
	Perch										
	Delivered weight ¹	0.2	0.2	0.2	0.6	0.5	0.3	0.2	0.2	0.2	0.3
	Price/Round Kg. ²	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00	\$3.50	\$2.70	\$3.15	\$2.99
	Initial Payment ³	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9	\$0.6	\$0.5	\$0.6	\$0.8
	Final Payment	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0	\$0.1	\$0.04	\$0.03	\$0.0
	Total Payment	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9	\$0.7	\$0.54	\$0.63	\$0.8
	3 Yr. Moving Avg. ⁴	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8	\$1.1	\$0.7	\$0.6	\$0.7
	Other										
	Delivered weight ¹	1.3	1.3	1.3	1.3	1.6	1.1	0.9	0	1.0	0.6
	Price/Round Kg. ²	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73	\$0.67	\$0.67	\$0.6	\$0.5
	Initial Payment ³	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8	\$0.6	\$0.6	\$0.6	\$0.5
	Final Payment	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Total Payment	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8	\$0.6	\$0.6	\$0.6	\$0.5
	3 Yr. Moving Avg. ⁴	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.7	\$0.6	\$0.6
	All Pools										
	Delivered weight ¹	18.2	21.3	22.3	22.0	22.8	20.7	17.7	16.7	16.9	14.7
	Price/Round Kg. ²	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61	\$1.68	\$1.68	\$1.8	\$2.02
	Initial Payment ³	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4	\$28.4	\$27.3	\$30.2	\$27.6
	Final Payment	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0	\$1.4	\$0.8	\$0.7	\$2.1
	Total Payment	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4	\$29.8	\$28.1	\$30.9	\$29.7
	3 Yr. Moving Avg. ⁴	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3	\$34.7	\$30.4	\$29.6	\$29.6

MANAGEMENT'S *Report*

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management. The Board of Directors reviews and approves the financial statements.

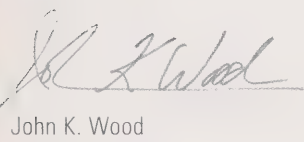
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The financial statements include certain amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgment. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal studies, which consist of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, audited the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards, and expressed her opinion on the financial statements.



John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 4, 2008



AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2008 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 4, 2008

BALANCE *Sheet*

as at April 30 (in thousands)

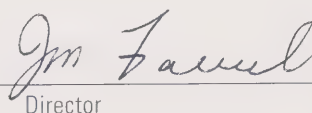
	2008	2007
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 49	\$ 765
Accounts receivable (Note 5)	6,230	6,487
Inventories (Note 6)	11,340	12,919
Prepaid expenses and other assets	480	458
	<u>18,099</u>	<u>20,629</u>
Property, plant and equipment (Note 7)	10,612	8,572
	<u>\$ 28,711</u>	<u>\$ 29,201</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,227	\$ 4,412
Provision for final payments to fishers	2,100	727
Loans payable (Note 8)	18,829	20,740
	<u>25,156</u>	<u>25,879</u>
EQUITY		
Retained earnings	3,555	3,322
	<u>\$ 28,711</u>	<u>\$ 29,201</u>

Contingencies and commitment (Note 15)

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairperson


Director

STATEMENT OF OPERATIONS, *Comprehensive Income & Retained Earnings*

for the year ended April 30 (in thousands)	2008	2007
OPERATIONS		
Sales		
Export	\$ 48,633	\$ 51,908
Domestic	9,608	9,708
	<u>58,241</u>	<u>61,616</u>
Cost of sales		
Opening inventory of finished fish products	12,028	12,645
Add fish purchases and processing expenses:		
Fish purchases	29,208	32,068
Salaries, wages and benefits (Note 11)	8,904	9,300
Packing allowances and agency operating costs	4,239	4,898
Packaging and storage	3,033	3,657
Utilities and property taxes	1,446	1,302
Amortization of production assets	1,608	1,340
Repairs and maintenance	722	688
Other	436	831
	<u>61,624</u>	<u>66,729</u>
Less ending inventory of finished fish products (Note 6)	<u>(10,572)</u>	<u>(12,028)</u>
	<u>51,052</u>	<u>54,701</u>
Gross profit on operations	<u>7,189</u>	<u>6,915</u>
Marketing and administrative expenses		
Salaries and benefits (Note 11)	2,103	1,970
Interest expense	1,147	1,217
Net foreign exchange (gain) loss (Note 10)	(849)	552
Commissions (Note 9)	1,145	1,103
Data processing, office and professional services	758	552
Advertising and promotion	215	247
Meeting fees and expenses	136	167
Amortization of administration assets	107	117
Other	94	263
	<u>4,856</u>	<u>6,188</u>
Income before provision for final payments to fishers	<u>2,333</u>	<u>727</u>
Provision for final payments to fishers	<u>2,100</u>	<u>727</u>
Net income and comprehensive income for the year (Note 12)	<u>233</u>	<u>-</u>
Retained earnings at beginning of the year	<u>3,322</u>	<u>3,322</u>
Retained earnings at end of the year	<u>\$ 3,555</u>	<u>\$ 3,322</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF *Cash Flows*

for the year ended April 30 (in thousands)

	2008	2007
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income and comprehensive income for the year	\$ 233	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,715	1,457
(Gain) loss on disposal of property, plant and equipment	(59)	60
Net changes in non-cash working capital:		
(Increase) decrease in accounts receivable	257	(1,017)
Decrease in inventory	1,579	653
(Increase) decrease in prepaid expenses and other assets	(22)	10
Increase (decrease) in accounts payable and accrued liabilities	(185)	669
Increase (decrease) in provision for final payments to fishers	1,373	(72)
Cash provided by operating activities	4,891	1,760
Investing activities		
Additions to property, plant and equipment	(3,832)	(3,996)
Proceeds on disposal of property, plant and equipment	136	34
Cash used for investing activities	(3,696)	(3,962)
Financing activities		
Increase (decrease) in loans payable	(1,911)	2,968
Cash (used for) provided by financing activities	(1,911)	2,968
Increase (decrease) in cash and cash equivalents during the year	(716)	766
Cash and cash equivalents at beginning of year	765	(1)
Cash and cash equivalents at end of year	\$ 49	\$ 765
Represented by:		
Cash	\$ 49	\$ 432
Term deposit	-	333
	\$ 49	\$ 765
Supplementary information:		
Interest paid	\$ 1,248	\$ 1,179

The accompanying notes are an integral part of the financial statements.



NOTES TO *Financial Statements*

April 30, 2008

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament. An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to \$50 million. For the 2007/08 fiscal year, the total borrowings of the Corporation may not exceed \$36.1 million as authorized by the Minister of Finance.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the *Income Tax Act*.

2. CHANGE IN ACCOUNTING POLICIES

On May 1, 2007, the Corporation adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, *Comprehensive Income*; 3251, *Equity*; 3855, *Financial Instruments – Recognition and Measurement*; and 3861, *Financial Instruments – Disclosure and Presentation*. These sections provide standards for recognition, measurement, disclosure and presentation of other comprehensive income, equity, financial assets, financial liabilities and non-financial derivatives. Each of these standards requires retrospective application without prior period restatement with any adjustments being recorded in opening retained earnings, and as a result comparative financial statements have not been restated. As at May 1, 2007, no transitional adjustments were required to the opening balance of the Corporation's retained earnings arising from the adoption of these new sections. The principal changes in the accounting resulting from the adoption of these new standards are described below.

Financial instruments

Section 3855 – *Financial Instruments – Recognition and Measurement*, establishes the criteria for recognition, derecognition, measurement, and classification of financial instruments. Under the new standards, all financial instruments are classified into one of the following categories: financial assets as held for trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held for trading, or as other financial liabilities. In accordance with the transitional provisions, upon initial recognition, financial assets and financial liabilities are required to be measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Held for trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

As a result of the adoption of these standards, the Corporation has designated its cash and cash equivalents as held-for-trading since they can be reliably measured at fair value due to their short-term to maturity. Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, the provision for final payments to fishers and loans payable are classified as other financial liabilities. Open dated foreign exchange forward contracts and foreign exchange call options must be classified as held for trading.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For a financial asset or financial liability classified as held-for-trading, including derivative financial instruments, all transaction costs are recognized immediately in net income.

The Corporation reviewed significant contracts entered into on or after May 1, 2002 and determined there are no significant non-financial or embedded derivatives that require separate fair value recognition on the balance sheet on the transition date or at April 30, 2008.

Comprehensive income

Section 1530, *Comprehensive Income*, describes reporting and disclosure requirements with respect to comprehensive income and its components. Comprehensive income is composed of the Corporation's net income and other comprehensive income, and requires certain unrealized gains and losses resulting from changes in fair value of certain financial instruments, that would otherwise be recorded as part of net income, to be presented in other comprehensive income until such a time as it is considered appropriate for them to be recognized in net income.

The adoption of this section had no impact on the Corporation, as there have been no transactions resulting in other comprehensive income.

Equity

Section 3251, *Equity*, establishes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, *Comprehensive Income*.

The adoption of this section had no impact on the Corporation's equity presentation since there have been no transactions resulting in other comprehensive income or changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Freshwater Fish Marketing Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these financial statements are summarized on the following pages.

Cash and cash equivalents

Cash and cash equivalents include cash and term deposits, maturing in less than three months from acquisition date.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost. Inventory write-downs are included in cost of sales in the Statement of operations, comprehensive income and retained earnings.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2.5%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	4.0-6.67%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in net foreign exchange gain and loss in the Statement of operations, comprehensive income and retained earnings.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses and other assets. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of net foreign exchange (gain) loss.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value, derivative financial instruments measured at fair value and the estimated useful lives of plant and equipment. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations. If actual results differ from these estimates, the impact would be recorded in future periods.

Future accounting changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*; Handbook Section 3862, *Financial Instruments – Disclosures*; Handbook Section 3863, *Financial Instruments – Presentation*. These standards are effective for the Corporation's reporting period beginning on May 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In May 2007, the CICA issued Section 3031, *Inventories*, which supersedes existing guidance on inventories in Section 3030, *Inventories*. This standard is effective for the Corporation's reporting period beginning on May 1, 2008. This standard introduces significant changes to the measurement and disclosure of inventories, including the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable for goods and services produced for specific purposes, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.

4. CASH AND CASH EQUIVALENTS

As at April 30, 2008, there were no U.S. dollar denominated term deposits (2007 – cash and cash equivalents included a \$300 thousand term deposit in U.S. dollars for a total value of \$333 thousand Canadian dollars).

5. ACCOUNTS RECEIVABLE

As at April 30, 2008, accounts receivable included amounts denominated as follows:

	2008		2007	
	Original currency	Canadian dollars	Original currency	Canadian dollars
(in thousands)				
Canadian dollars	\$2,660	\$2,660	\$2,043	\$2,043
US dollars	\$3,545	3,570	\$4,003	4,444
		<u>\$6,230</u>		<u>\$6,487</u>

6. INVENTORIES

(in thousands)	2008	2007
Finished fish products	\$10,572	\$12,028
Packaging material and supplies	768	891
	<u>\$11,340</u>	<u>\$12,919</u>

7. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	9,973	6,913	3,060	2,503
Equipment	17,195	14,071	3,124	2,936
Fresh fish delivery tubs/totes	1,391	550	841	1,001
Vessels	2,682	273	2,409	1,348
Construction in progress	842	-	842	448
	<u>\$32,419</u>	<u>\$21,807</u>	<u>\$10,612</u>	<u>\$ 8,572</u>

Amortization expense is recorded on the Statement of operations, comprehensive income and retained earnings in cost of sales (2008 - \$1,608 thousand, 2007 - \$1,340 thousand) and in marketing and administrative expenses (2008 - \$107 thousand, 2007 - \$117 thousand).

8. LOANS PAYABLE

(in thousands)	2008	2007
Promissory note	\$ 4,029	\$ 4,440
Bankers acceptances	14,800	16,300
	<u>\$18,829</u>	<u>\$20,740</u>

During the year, the Corporation renewed its revolving demand credit facility providing access to funds up to the amount of \$36.1 million Canadian or its U.S. dollar equivalent. The funds are advanced through loans, overdrafts, promissory notes and bankers acceptances.

The bankers acceptances bear interest at 3.20% (2007– 4.28%) and mature on May 2, 2008.

The \$4,000 thousand U.S. dollar denominated promissory note (\$4,029 thousand Canadian dollars) is repayable in U.S. dollars, bears interest at 5.05% (2007 – 5.77%) and matures on June 16, 2008.

The bankers acceptances and promissory note are secured by the authorization of the Minister of Finance of the Corporation's bank borrowing limit (Note 1).

9. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,145 thousand (2007 - \$1,103 thousand) to sales agents. Included in that amount is \$1,145 thousand (2007 - \$1,084 thousand) of commissions paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the Statement of operations, comprehensive income and retained earnings.

10. NET FOREIGN EXCHANGE GAIN AND LOSS

Net foreign exchange (gain) loss includes a loss of \$119 thousand representing the change in fair value of derivative financial instruments classified as held-for-trading (2007 – gain of \$73 thousand).

11. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. Pension benefits accrue on pensionable service at a rate of 2 per cent per year up to a maximum period of 35 years, times the average of the best five consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2008	2007
Corporation's contributions	\$ 799	\$ 643
Employees' contributions	\$ 378	\$ 300

12. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2007 - nil). At April 30, 2008 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to \$2,692 thousand (2007 actual - \$3,040 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is not considered more likely than not that any future income tax benefits will be realized.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation generates a significant portion of its sales in U.S. dollars and uses derivative financial instruments to reduce its exposure to changes in the value of U.S. dollars. The Corporation currently uses the following types of instruments:

Open dated foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery during a specified period in the future at a fixed rate.

Foreign exchange call options – right to purchase currencies at a specified price within a specific time period.

Included in prepaid expenses and other assets is an amount of \$377 thousand (2007 - \$333 thousand) and included in accrued liabilities is an amount of \$163 thousand (2007 – nil) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2008	2007
Open dated foreign exchange forward contracts	\$ (77)	\$ 265
Foreign exchange call options	291	68
	<u>\$ 214</u>	<u>\$ 333</u>

Notional principal amounts outstanding as at April 30 are listed below for the open dated foreign exchange contracts and foreign exchange call options entered into by the Corporation. The remaining term to maturity of the derivative financial instruments are under one year from the balance sheet date.

(in thousands)	2008	2007
Open dated foreign exchange forward contracts	\$ 21,837	\$ 8,569
Foreign exchange call options	\$ 20,357	\$ 8,325

In any transaction there is a potential for loss. The risk of loss relating to the Corporation's derivative financial instruments is represented by:

- (i) credit risk, wherein the counterparty fails to perform an obligation as agreed upon, causing the Corporation to incur a financial loss, and
- (ii) market risk, where an exposure exists as a result of the possibility of adverse changes in foreign exchange rates.

The Corporation manages its exposure to credit risk by contracting only with creditworthy counterparties. The Corporation manages its exposure to market risk (foreign exchange) by acquiring derivative financial instruments only within limits approved by the Board of Directors.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable approximate their respective amortized cost due to the relatively short period to maturity of the financial instruments. Derivative related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the open dated foreign exchange forward contracts is calculated using the current market spot and forward exchange rates at the end of the year, taking into consideration the closing date of the open dated foreign exchange forward contracts. The estimate of the fair value of the foreign exchange call options is calculated using a valuation technique commonly used for these instruments.

15. CONTINGENCIES AND COMMITMENT

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

On June 19, 2008, the Corporation entered into a contractual agreement for the building of a packing facility in the amount of approximately \$1,510 thousand. No amounts have been recorded in the financial statements related to this contractual commitment.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CORPORATE *Governance*

A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation.

All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2007/08 fiscal year, six of those Directors were fishers and six were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending

numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FFMC region.

The Corporation's Board members met six times in Winnipeg during the fiscal year. Once per quarter, the Board undertook a comprehensive review of financial results and operational issues. During the July 2007 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2006/07 Annual Report.

In late March 2008, the Board met to approve its five-year annual Corporate Plan and operating budget for submission to Treasury Board.

The Board considered three applications under the Export Dealers Licence policy and approved one.

Major conferences or annual meetings attended included a Crown Corporation Governance conference in Ottawa, Fisheries Council of Canada conference, National Seafood Sector Council Board, Brussels Seafood Show, Boston Seafood Show, Manitoba Food Processors Association, Lake Winnipeg Advisory Board, Small Craft Harbour Authorities, Manitoba Commercial Inland Fisheries Federation Board, Northwest Territories Fishermen's Federation, Saskatchewan Cooperative Fisheries Ltd., Great Slave Lake Co-op, Northwest Co-op Processing, and eight other fisher association meetings.



BOARD OF *Directors*

**Jim Bear**

Chairperson of the Board
Scanterbury, Manitoba
Occupation: Political Advisor, Southeast
Tribal Council
Served on FFMC Board: 7 years

**John K. Wood**

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 1.5 years

**Irvin Constant**

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 12 years

**Gordon McDougall**

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 12 years

**James R. Favel**

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 9.5 years

**Ed Isfeld**

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 18 years

**Bert Buckley**

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 9 years

**Ron Ballantyne**

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: 4.5 years

**Bob Paterson**

Sioux Lookout, Ontario
Occupation: Area Supervisor,
Ontario Ministry of Natural Resources
Served on FFMC Board: 4 years

**Peter A. Beatty**

Deschambault Lake, Saskatchewan
Occupation: Vice-Chief, Peter Ballentyne First Nation
Served on FFMC Board: 1.5 years

**Gail Wood**

Edmonton, Alberta
Occupation: Owner, Wayne Wood Fresh Fish Ltd.
Served on FFMC Board: 1 year

CORPORATE OFFICERS

John K. Wood

President and Chief Executive Officer
Email: john.wood@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com

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TABLE OF CONTENTS

Letter of Transfer	3
President's Report	4
Corporate Profile	5
Year in Review	6
Strategic Directions	8
Looking Ahead	10
How Fishers are Paid	11
Management Discussion and Analysis	12
Financial Returns and Deliveries	14
Ten Year Financial Summary	16
Financial Statements	17
Corporate Governance	33
Board of Directors	34
Corporate Officers	35
Employee Recognition	35



LETTER OF TRANSFER



From Chairperson of the Board of Directors
to Minister of Fisheries and Oceans

Honourable Gail Shea
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Ms. Shea:

We are pleased to submit Freshwater Fish's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ended April 30, 2009.

We are very grateful for the many years of service of two of the Corporation's Board members, both of whom retired this past year: Jim Favel, who served for ten years, and Ed Isfeld, whose original appointment was June 14, 1990. Their contributions were invaluable.

On behalf of the Board, we extend a warm welcome to the two new Directors who replaced them: Angus Gardiner, of Île-à-la-Crosse, Saskatchewan, and Ken Campbell, of Gimli, Manitoba. Together they bring a wide range of experience and expertise to our corporate governance.

Beginning in 2007, Freshwater Fish undertook a comprehensive strategic review and created a new

strategic plan that will guide the organization over the next ten years. The plan identifies a number of strategic priorities to increase market value and market leadership, improve the efficiency and management of the supply chain, increase stakeholder confidence and ensure the long-term operational and financial health of the Corporation, with the overriding objective of improving returns to fishers.

Freshwater Fish strives to remain relevant, competitive, and capable of fulfilling its mandate in the ever-changing business environment.

Respectfully,

A handwritten signature in dark ink that reads "Jim Bear".

Jim Bear
Chairperson of the Board

PRESIDENT'S REPORT

The fiscal year which ended in April 2009 saw noteworthy advances for Freshwater Fish, in spite of the global economic downturn. In the first two quarters of the year, we made significant price gains in several markets. In the final two quarters, the declining economy weakened demand and, as a result, prices fell from their peak levels.

Thanks to the efforts of our marketing personnel, we have kept our sales volume up while protecting margins. In addition, deliveries of whitefish and northern pike rebounded after several years of decline, allowing Freshwater Fish to open up new markets. As a result, we paid out the highest total returns to fishers since 2003.

On a more negative note, the mid-year downturn in the economy, a number of one-time expenses and changes in accounting standards reduced net earnings to a loss of \$721,000 for the year.

Freshwater Fish continues to work to increase the efficiency and productivity of our lake to plate supply chain to maximize returns to fishers and ensure the future of the freshwater fishery in western and northern Canada.

In 2008, we introduced our Strategic Plan to governments in Manitoba, Saskatchewan, Alberta and Northwest Territories. We also have begun to take steps to achieve the goals outlined in the Strategic Plan.

Key developments include hiring staff to fill gaps in Freshwater Fish's corporate skill set, specifically a Supply



Chain Manager and Cost Accountant. Over the past two years, we have invested \$5.8 million in plant upgrades to increase peak capacity, improve reliability and meet modern food inspection and international customer requirements. By investing equally in our human and physical resources, we are increasing efficiencies in the supply chain and, as a result, ensuring the highest possible returns to fishers.

Respectfully,

A handwritten signature in dark ink, appearing to read 'John K. Wood', written over a horizontal line.

John K. Wood
President and Chief Executive Officer
Winnipeg, Manitoba

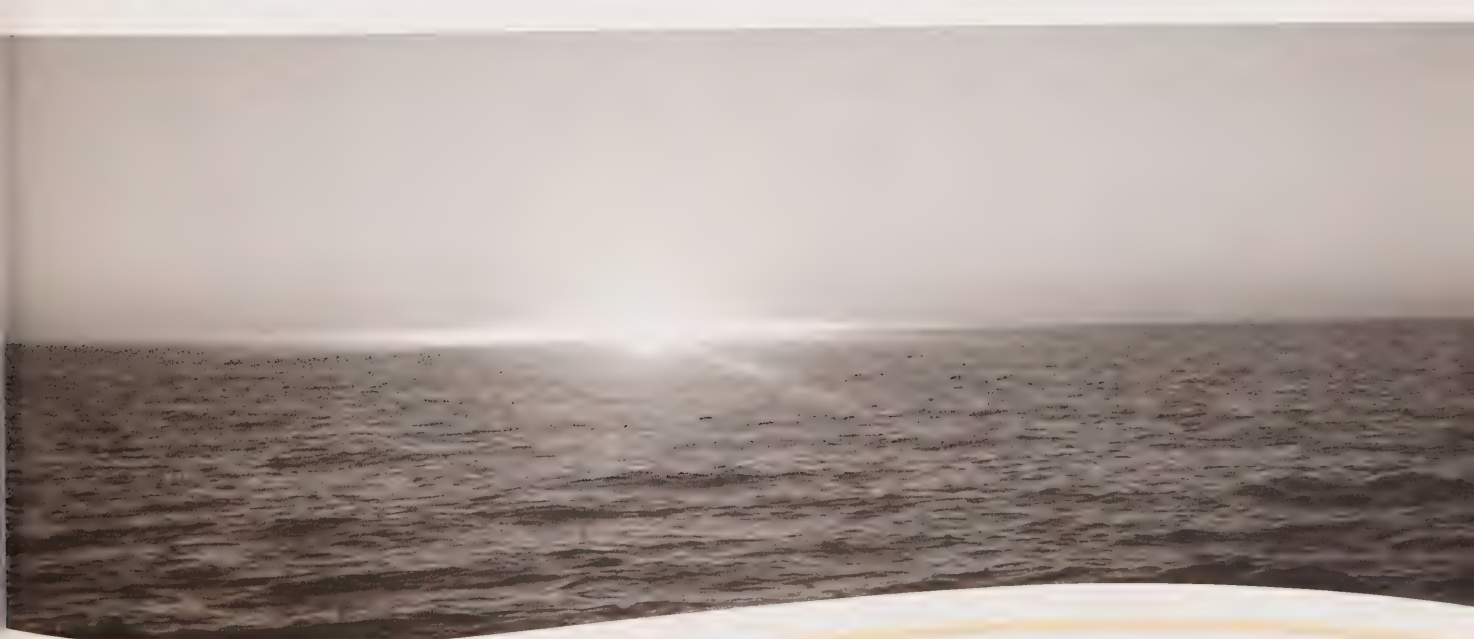
CORPORATE PROFILE

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Final payments to fishers are distributed annually, when possible, depending on sales revenues and associated costs.

The Board of Directors, including the President and Chief Executive Officer, governs the Corporation. All 11 Board positions are federal Order-in-Council appointments, with five appointed on the recommendation of the participating provincial governments. During the 2008/09 fiscal year, seven Directors were fishers and seven were Aboriginal. The President is assisted by a three-member Executive Committee and 46 full-time administrative support staff.

Freshwater Fish employs in excess of 150 full-time production staff, which may increase during peak periods. Fish are purchased and graded by 30 contracted agents and five corporate agencies at 54 delivery points. Freshwater Fish buys from approximately 2,100 fishers, who harvest from more than 265 lakes within the region.

In 40 years of business within Canada and abroad, Freshwater Fish has established and sustained a solid reputation based on product reliability, quality and safety. It is a recognized price leader, exercising its mandate to market fish inter-provincially and internationally. Freshwater Fish remains at the top of the U.S. walleye market, and is the largest supplier of whitefish to Finland, whitefish caviar to Sweden and Finland, and northern pike to France. It is the largest individual supplier of freshwater fish to the gefilte fish market and maintains a kosher-certified processing plant.



YEAR IN REVIEW

In the 2009 fiscal year, Freshwater Fish strengthened its internal capacity in terms of supply, processing and marketing, which prepares the Corporation for future challenges and a broadening of the business.

The final results for the year were mixed. Total returns to fishers were excellent, the highest in six years, but Freshwater Fish's own earnings came in at a loss of \$721,000. This loss is the result of the mid-year downturn in the economy hurting margins, inventory re-balancing, a number of one-time expenses generated by management and administrative personnel changes, and the required adoption of new Canadian accounting standards on inventories.

Corporate

Last summer, Freshwater Fish shared its Strategic Plan with governments in Manitoba, Saskatchewan, Alberta and Northwest Territories. The plan outlines strategic directions and goals to fulfil the organization's vision of a sustainable fishery that provides maximum returns to fishers.

In line with the Strategic Plan, Freshwater Fish created and filled two key positions: Supply Chain Manager and Cost Accountant. These additions strengthen the management team and will help Freshwater Fish increase efficiencies along the supply chain, ultimately maximizing returns to fishers.

Marketing

Marketing efforts this year focused on a response to changing international markets, as well as increased supply.

In the first two quarters of the year, Freshwater Fish continued to make price gains in several markets. In the final two quarters, however, the faltering economy weakened demand and, as a result, prices fell from their peak levels. Deliveries of whitefish and northern pike rebounded after several years in decline, allowing Freshwater Fish to pursue new markets. These efforts recently paid off, as Freshwater Fish gained re-entry into Russia, Iran and Poland.

In the early part of the year, European sales fell due to a 30 per cent decline in the Russian ruble. This had a double impact on sales. First, it allowed Russia to undercut Freshwater Fish prices for pike in the French market. Second, it shut Freshwater Fish out of the Russian whitefish market, as a strong Canadian dollar made its imported product expensive relative to Russian domestic product.

In recent months, French customers have returned, as the Russian product has not met the same high standard of quality of the Freshwater Fish product. In addition, changing economic conditions have allowed Freshwater Fish product to re-enter the Russian market at a competitive and profitable price point.

Overall, Freshwater Fish maintained its sales volumes through tough economic times while protecting margins – ensuring a sustainable, profitable fishery.

Freshwater Fish increases efficiencies along the supply chain, ultimately maximizing returns to fishers.

Field Operations

Freshwater Fish offered new programs in the past year that successfully increased deliveries of whitefish and northern pike (after several years of decline) and increased activity in the winter fishery.

Freshwater Fish completed a new fish station at Berens River in time for the fall fishery. The new station is more efficient, cleaner and safer than the building it replaced.

Deliveries from January through April of this year were higher than last year, in part due to higher prices and premiums offered by Freshwater Fish. In winter, supply typically falls and prices rise in response. By encouraging the winter fishery, Freshwater Fish ensures a steady supply of product, maintains its standing in the market and increases overall annual returns to fishers.

Processing

Over the past two years, Freshwater Fish has invested \$5.8 million in the Winnipeg processing plant to increase capacity for peak delivery times, improve reliability and meet modern food inspection and international customer requirements. Upgrades have included re-surfacing the floors and ceilings, and installing new ice-making and distribution equipment.

Before the spring 2008 fishery, Freshwater Fish invested in a new spiral freezer with almost three times the capacity of the previous freezer, allowing more fish to be handled during the peak season. The next phase is a defrosting line which will 'refresh' frozen fish to be processed and sold for premium prices off-season.

In January, Freshwater Fish completed negotiations for a new three-year contract with CAW local 561, the union that represents the plant's 250 production and maintenance workers. The new contract maintains Freshwater Fish's commitment to provide a competitive wage and benefit package while balancing the cost of production with the need to improve returns to fishers.

Communications

Freshwater Fish is committed to improving two-way communications with all stakeholders – from fishers to government officials. In 2008, Freshwater Fish retained a communications firm to improve and expand communications activities.

In March 2009, the first annual Supply Chain Workshop for fishers was held in Winnipeg. Thirteen fishers attended, representing six regions from Manitoba, Saskatchewan, Alberta and Northwest Territories. The two-day meeting covered best practices and species discussions and provided an invaluable opportunity to talk with fishers about their concerns.

Freshwater Fish also conducted a readership survey of Lake to Plate, its fisher newsletter. The response indicates that most fishers have two main concerns: fish prices and fish quality. Currently, the focus of Lake to Plate is being revised to better meet fishers' needs and foster two-way communication.

STRATEGIC DIRECTIONS

Strategic directions provide the foundation for Freshwater Fish to continue as an industry leader and overcome business challenges.

In early 2009, a team of Freshwater Fish management personnel worked with an outside facilitator to review the strategic plan developed in 2007. The team took a critical look at the plan and the past year's activities to ensure Freshwater Fish is on track to achieve its goals and that its key strategies remain relevant in the changing business environment.

The streamlined key strategies that resulted from the strategic planning session are presented below.

Strategy 1 | Expand the Business to Create Value and Diversify to Promote Stability

- Evaluate strategic alliances and partnerships
- Tap into additional supplies from non-traditional sources
- Encourage increased harvesting of valuable species

Strategy 2 | Develop Freshwater Fish as a Market-Oriented Business Model

- Develop a species-specific business planning approach
- Provide fishers with direct input into species-specific planning
- Invest in markets, products and brands

Strategy 3 | Promote Sustainable Development and Commercial Viability of the Fishery

- Develop effective two-way communications with fishers
- Understand all economic factors affecting the fishery
- Support government strategies that build fisher profitability
- Work with governments and fishers to manage the harvest to optimize value

Strategy 4 | Develop Processing Infrastructure to Meet Fishery and Market Needs

- Invest in modern processing solutions
- Continue to improve plant labour efficiencies and processing yields
- Develop third-party supplier and co-packer relationships to allow the plant to focus on what it does best

Strategy 5 | Ensure the Long-Term Financial Viability of Freshwater Fish

- Ensure resources are available for long-term reinvestment
- Capitalize on existing assets



Freshwater Fish is well-positioned to weather the economic downturn.

Strategy 6 | Create Organizational Structure to Promote Long-Term Viability

- Fill organizational gaps and address missing skill sets
- Assure a stable and committed processing workforce
- Create a culture that supports internal communication and cross-functional teams
- Optimize Enterprise Resource Planning (ERP) information systems

Strategy 7 | Stakeholder Communications

- Design and disseminate information packages specific to each stakeholder group's needs
- Develop and implement two-way communications with all stakeholders

The business environment in which Freshwater Fish operates has become even more competitive in the past year. Global economic conditions have softened demand for the highest priced products, while the cost of harvesting and processing fish continues to rise.

Freshwater Fish is well-positioned to weather the economic downturn. Its products are increasingly in demand as the centre-of-plate protein. In addition, a strong brand position and in-depth understanding of its customers' needs enables Freshwater Fish to be a price leader in all its markets.

Freshwater Fish has a continued challenge to manage increased demand for white-fleshed fish on the global market while facing varying volumes of deliveries. Some high-demand species – particularly whitefish – have had declining fisher deliveries. The decline is entirely economic: the cost of being a fisher has been rising with higher fuel and labour costs and when the western economy is strong, it provides lucrative alternative employment, resulting in reduced fishery participation and intensity.

The year just ended experienced an increase in deliveries, especially whitefish, for the first time in six years.



LOOKING AHEAD

In the year to come, Freshwater Fish will continue to respond to changing market requirements while taking steps to strengthen its supply chain and develop two-way communication with its stakeholders.

Increasing Food Safety Regulation Worldwide

Freshwater Fish consistently meets the stringent standards for registration by the Canadian Food Inspection Agency (CFIA) and has in place a Quality Management Program (QMP), Hazard Analysis Critical Control Points (HACCP) and other required programs. As markets such as the European Union continue to tighten their requirements, Freshwater Fish must keep pace with new regulations or lose its ability to export product.

Consumer and Customer Requirements

Consumers and customers (restaurants and supermarket chains) continue to place a priority on convenience, consistent quality and food safety, while consolidation

in foodservice and retail channels increases pressures on price and service levels. These trends create a challenging environment in which to maintain or improve margins.

Fishery Sustainability

Multi-national retail chains are “going green.” For Freshwater Fish, this means providing proof that wild-caught fish come from sustainable fisheries. Certification of sustainability is a long and expensive process requiring government involvement and sponsorship; however, it will be a necessary investment to ensure continued market access.

Supply Chain

Freshwater Fish will continue to make plant upgrades to increase the efficiency and productivity of its processing plant in Winnipeg. The next phase of planned upgrades is to install a thawing system that will condition frozen fish for the processing line at an appropriate rate.

Two-Way Communication

Building on the success of the first annual Supply Chain Workshop in Winnipeg, Freshwater Fish plans to hold regional workshops in other locations throughout its supply area. A second annual Supply Chain Workshop will be held in Winnipeg in 2010.



HOW FISHERS ARE PAID

Under the *Freshwater Fish Marketing Act*, Freshwater Fish is authorized to purchase and set prices for all fish caught under commercial licence in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of northwestern Ontario. Freshwater Fish has set up a payment structure that determines initial and final payments under a “pool” system. The final payments are determined by allocating receipts and costs by fish species.

Freshwater Fish sets an initial price for a species by estimating its market value. Projected processing and operating costs are then subtracted, as well as a contingency amount. Freshwater Fish may increase the purchase price when needed to ensure that there is enough supply to develop a new market or product.

Freshwater Fish makes it a policy to set each species’ initial price at a level designed to promote full fishery in all regions. A higher output, even of lower-value species, helps

to develop markets, maximize efficiency and contribute to paying fixed costs.

Freshwater Fish may adjust initial prices during the fiscal year to suit changing market conditions. It also may offer a temporary delivery premium for a given species as an incentive for fishers or when a customer has an urgent requirement.

The profit distribution policy ensures that at the end of the fiscal year, an appropriate portion of revenues from each species pool is allocated to long-term reinvestment in Freshwater Fish. After the annual audit by the Office of the Auditor General, Freshwater Fish determines final payments from the pooled receipts. Final payments are made from any corporate surpluses when sales revenues exceed all direct and allocated costs for a given species.

The table on pages 14 and 15 provides a ten-year history of pool results.



MANAGEMENT DISCUSSION AND ANALYSIS

Strong initial winter prices, winter season premiums and a dramatic increase in winter fishery volumes pushed total returns to fishers to \$33 million, their highest level in five years. By this measure, the 2009 fiscal year was highly successful.

On a more negative note, the mid-year downturn in the economy, inventory re-balancing, a number of one-time expenses and changes in accounting standards reduced net earnings to a loss of \$721,000 for the year. More specifically, as the western Canadian economy shed jobs over the winter of 2008/09, fishers returned to the fishery increasing supply volumes just as the weakened economies of the U.S. and Europe produced a decline in demand from the market. To maintain sales volume, Freshwater Fish had to use promotional pricing which reduced margins in the last half of the fiscal year. Promotions were also used to reduce inventories of certain over-supplied weight grades. The one-time expenses were due to management and administration changes that incurred search costs and severance allowances during the year. In the 2009 fiscal year, the Corporation's net earnings were impacted by the adoption of Canadian Institute of Chartered Accountants (CICA) Section 3031 accounting standard on inventories. Subsequent full implementation of IFRS by May 1, 2011 may continue to impact the Corporation's financial performance. Plant maintenance expenses continue to increase as the plant ages and requires more maintenance to comply with food safety regulations, worker safety standards and to maintain equipment reliability.

Markets

The year began with market prices at or near historic high levels and this continued into the middle of the third quarter. By the end of the third quarter and into the fourth quarter, markets were affected by the recession and

prices started to weaken. As a result, Sales and Marketing utilized a combination of pricing and promotion to offset this weakening in demand. The biggest impact was felt in pickerel, where an oversupply of large size fillets necessitated aggressive pricing and promotion. While this strategy kept volume moving, it resulted in an increase in promotional allowances from 1.4 to 1.8 per cent of sales.

Average selling prices for all products were up by 10.1 per cent over the previous year, an excellent achievement given the economic difficulties of the last two quarters.

A stronger U.S. dollar raised returns from U.S. markets. The increase in returns is not proportional to the gains in the value of the U.S. dollar, as Freshwater Fish hedges its U.S. sales at budgeted exchange rates to reduce risk. In years when the U.S. dollar declines, this protects margins; however, in the past year it reduced the ability to make unexpected gains.

Species

Pickerel/Walleye: The Corporation had the highest sales revenues and near record volumes for pickerel (or walleye, as it's known in the U.S.) in spite of a weakening North American economy. Freshwater Fish increased sales in two key markets – Canada and the U.S. Midwest – due to concentrated marketing efforts at the operator level in the U.S., targeted fresh sales promotions, reduced Great Lakes quotas and beneficial U.S. exchange rates.

Whitefish: Freshwater Fish also increased sales volume, revenue and the average selling price for whitefish. The largest growth was in fresh sales, with volumes up over 30 per cent and revenue up almost 60 per cent for the year, driven by increased supply at critical times.

Freshwater Fish had record sales revenues and near record volumes for pickerel.

Northern Pike: Freshwater Fish maintained its price levels on most northern pike products, in spite of the poor economic performance of France – the largest market for the species – in 2008/09. Sales volumes and revenue, however, declined moderately during the last seven months of the year. Demand is expected to rebound as the French economy improves into 2010.

Mullet: Freshwater Fish made strong gains in revenue and average selling price for mullet, due to price increases implemented in the first half of the year and a stronger U.S. dollar. There was no spring run fishery this year due to the late spring. As a result, a key selling opportunity was lost, and at the close of the fiscal year sales volumes for mullet were 9 per cent below the previous year's results.

Inventories

Strong deliveries from the winter fishery resulted in year-end inventories of \$16.8 million. This is \$5.5 million higher than the previous year; however, the volume is on par with the nine year average. The increased inventory is not a concern unless market volumes drop further than expected at present. In addition, much of the increased inventory is in whitefish, which is good news – previous year supplies were well below what is required to meet customer needs.

Freshwater Fish has seen strong winter deliveries driven by two factors. First, for the past two years Freshwater Fish has offered substantial premiums for fish delivered from January to April. This is part of a new program to encourage delivery

of fish at times when the market will pay the highest prices. Fishers have responded enthusiastically and winter 2009 deliveries were higher than the previous year's by 48 per cent. Second, the faltering economy has resulted in fewer alternative jobs in northern communities and former fishers are returning to the fishery to support their families.

Processing

Volume through the plant was up by 14 per cent, one of several factors that pushed plant expenses up by \$3.5 million. Additional factors that raised plant expenses were a new collective agreement and higher prices for certain inputs such as packaging and utilities.

Capital Projects

In the plant, Freshwater Fish invested \$5.8 million in critical upgrades to meet food safety standards and reliability requirements. These upgrades included replacement of the ice-making system for \$1.2 million and installation of a defrosting line at a cost of \$1.1 million.

In the field, the Berens River fish packing station was replaced at a cost of \$2.1 million and to meet Transport Canada requirements, the freight barge underwent the \$280,000 second phase of its planned refurbishment.

The Corporation's Enterprise Requirement Planning (ERP) system was upgraded to meet customer requirements for food traceability and an improved level and timeliness of information to management.

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2000 – 2009), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Pickarel										
Delivered Weight ¹	4.6	5.7	5.1	5.1	5.6	5.6	6.0	6.4	6.2	6.2
Price/ Round Kg. ²	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45	\$3.41	\$3.15	\$3.35	\$3.5	\$3.33
Initial Payment ³	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3	\$17.9	\$18.2	\$20.8	\$20.2	\$20.8
Final Payment	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0	\$1.2	\$0.71	\$0.67	\$1.5	\$0.0
Total Payment	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3	\$19.1	\$18.91	\$21.47	\$21.7	\$20.8
3 Yr. Moving Avg. ⁴	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9	\$20.7	\$19.1	\$19.8	\$20.7	\$21.3
Whitefish										
Delivered Weight ¹	5.6	6.5	6.8	7.0	6.7	5.9	5.4	5.5	3.8	5.1
Price/ Round Kg. ²	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10	\$1.00	\$1.02	\$1.09	\$1.07	\$1.48
Initial Payment ³	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0	\$3.9	\$7.6
Final Payment	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0
Total Payment	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4	\$5.9	\$5.5	\$6.0	\$4.1	\$7.6
3 Yr. Moving Avg. ⁴	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9	\$7.2	\$6.3	\$5.8	\$5.2	\$5.9
Northern Pike										
Delivered Weight ¹	2.8	2.6	2.5	2.4	2.3	1.9	1.3	1.7	1.9	2.1
Price/ Round Kg. ²	\$0.82	\$0.85	\$0.8	\$0.71	\$0.65	\$0.58	\$0.62	\$0.59	\$0.78	\$0.9
Initial Payment ³	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0	\$1.2	\$1.9
Final Payment	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.0
Total Payment	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$0.8	\$1.0	\$1.5	\$1.9
3 Yr. Moving Avg. ⁴	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7	\$1.5	\$1.1	\$1.0	\$1.1	\$1.5
Sauger										
Delivered Weight ¹	1.0	0.6	0.7	0.8	0.8	0.6	0.3	0.2	0.1	0.3
Price/ Round Kg. ²	\$3.2	\$3.33	\$4.14	\$3.88	\$3.13	\$2.83	\$3.17	\$2.5	\$3.27	\$3.65
Initial Payment ³	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5	\$1.6	\$0.9	\$0.5	\$0.4	\$1.0
Final Payment	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0	\$0.1	\$0.05	\$0.0	\$0.0	\$0.0
Total Payment	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5	\$1.7	\$0.95	\$0.5	\$0.4	\$1.0
3 Yr. Moving Avg. ⁴	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8	\$2.4	\$1.7	\$1.1	\$0.6	\$0.6

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2000 – 2009), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Mullet										
Delivered Weight ¹	5.8	5.4	5.0	5.4	3.9	2.6	2.6	1.9	1.8	2.0
Price/ Round Kg. ²	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26	\$0.27	\$0.31	\$0.37	\$0.38	\$0.39
Initial Payment ³	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7	\$0.6	\$0.7
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0
Total Payment	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0	\$0.7	\$0.8	\$0.7	\$0.7	\$0.7
3 Yr. Moving Avg. ⁴	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3	\$1.0	\$0.8	\$0.7	\$0.7	\$0.7
Perch										
Delivered Weight ¹	0.2	0.2	0.6	0.5	0.3	0.2	0.2	0.2	0.3	0.1
Price/ Round Kg. ²	\$5.5	\$4.5	\$4.5	\$3.6	\$3.0	\$3.5	\$2.7	\$3.15	\$2.99	\$2.37
Initial Payment ³	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9	\$0.6	\$0.5	\$0.6	\$0.8	\$0.3
Final Payment	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0	\$0.1	\$0.04	\$0.03	\$0.0	\$0.0
Total Payment	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9	\$0.7	\$0.54	\$0.63	\$0.8	\$0.3
3 Yr. Moving Avg. ⁴	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8	\$1.1	\$0.7	\$0.6	\$0.7	\$0.6
Other										
Delivered Weight ¹	1.3	1.3	1.3	1.6	1.1	0.9	0.0	1.0	0.6	0.8
Price/ Round Kg. ²	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73	\$0.67	\$0.67	\$0.6	\$0.5	\$0.65
Initial Payment ³	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8	\$0.6	\$0.6	\$0.6	\$0.5	\$0.7
Final Payment	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8	\$0.6	\$0.6	\$0.6	\$0.5	\$0.7
3 Yr. Moving Avg. ⁴	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.7	\$0.6	\$0.6	\$0.6
All Pools										
Delivered Weight ¹	21.3	22.3	22.0	22.8	20.7	17.7	16.7	16.9	14.7	16.6
Price/ Round Kg. ²	\$1.69	\$1.82	\$1.85	\$1.8	\$1.61	\$1.68	\$1.68	\$1.8	\$2.02	\$1.98
Initial Payment ³	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4	\$28.4	\$27.3	\$30.2	\$27.6	\$33.0
Final Payment	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0	\$1.4	\$0.8	\$0.7	\$2.1	\$0.0
Total Payment	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4	\$29.8	\$28.1	\$30.9	\$29.7	\$33.0
3 Yr. Moving Avg. ⁴	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3	\$34.7	\$30.4	\$29.6	\$29.6	\$31.2

1 Delivered Weight – Round Equivalent Weight (millions of kilograms). 2 Price/Round Kg. – Based on Initial Payment plus Final Payment.

3 Initial Payment – Net of Freight. 4 Three Year Moving Average of Total Payments

TEN YEAR FINANCIAL SUMMARY

Fiscal Year ended April 30

All amounts in millions of dollars.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3	\$59.3	\$55.3	\$61.6	\$58.2	\$62.5
Net Income (Loss) Before Final Payments	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)	\$1.4	\$0.8	\$0.7	\$2.3	(\$0.7)
Fish Purchases	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7	\$30.4	\$29.2	\$32.1	\$29.2	\$35.3
Net Income Plus Fish Purchases	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9	\$31.8	\$30.0	\$32.8	\$31.5	\$34.6
Accounts Receivable - Trade	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9	\$7.0	\$5.1	\$6.0	\$5.5	\$6.2
Inventory - Finished Fish Products	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4	\$12.4	\$12.6	\$12.0	\$10.6	\$16.0
Inventory - Packaging Material and Parts	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9	\$1.0	\$0.9	\$0.9	\$0.7	\$0.8
Capital Assets - Net Book Value	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7	\$6.3	\$6.1	\$8.6	\$10.6	\$13.9
Loans Payable	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1	\$18.4	\$17.8	\$20.7	\$18.8	\$30.8
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3	\$3.3	\$3.3	\$3.3	\$3.6	\$2.8

* Retained Earnings

Over the years 1980-1994, Freshwater Fish gradually established a retained earnings balance of \$4.2 million. Cost controls and stronger prices returned stronger earnings in 2008. The retained earnings balance in 2009 reflects both operating performance and retroactive accounting adjustments that are the result of adopting new Canadian accounting standards.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

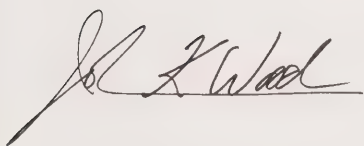
The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management. The Board of Directors reviews and approves the financial statements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgment. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal studies, which consist of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, audited the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards, and expressed her opinion on the financial statements.



John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Stanley A. Lazar, CMA
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 3, 2009

AUDITOR'S REPORT



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2009 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for inventory as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

A handwritten signature in dark ink, appearing to read "Nancy Y. Cheng".

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 3, 2009

BALANCE SHEET

as at April 30 (in thousands)

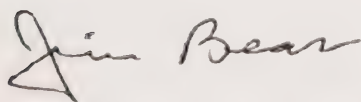
	2009	2008
ASSETS		
Current		
Cash	\$ 247	\$ 49
Accounts receivable (Note 6)	6,587	6,230
Inventories (Note 7)	16,810	11,340
Prepaid expenses and other assets (Note 6)	1,171	480
	<u>24,815</u>	<u>18,099</u>
Property, plant and equipment (Note 8)	<u>13,902</u>	<u>10,612</u>
	<u>\$ 38,717</u>	<u>\$ 28,711</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 5,185	\$ 4,227
Provision for final payments to fishers	-	2,100
Loans payable (Note 9)	30,772	18,829
	<u>35,957</u>	<u>25,156</u>
EQUITY		
Retained earnings	<u>2,760</u>	<u>3,555</u>
	<u>\$ 38,717</u>	<u>\$ 28,711</u>

Basis of presentation – going concern (Note 2)

Contingencies (Note 14)

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



Chairperson



Director

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

for the year ended April 30 (in thousands)

	2009	2008
OPERATIONS		
Sales		
Export	\$ 50,868	\$ 48,633
Domestic	11,627	9,608
	<u>62,495</u>	<u>58,241</u>
Cost of sales		
Opening inventory of finished fish products (Note 3)	10,498	12,028
Add fish purchases and processing expenses:		
Fish purchases	35,273	29,208
Salaries, wages and benefits (Note 11)	10,142	8,904
Packing allowances and agency operating costs	4,550	4,239
Packaging and storage	4,136	3,033
Utilities and property taxes	1,640	1,446
Amortization of production assets	1,795	1,608
Repairs and maintenance	1,281	722
Other	891	436
	<u>70,206</u>	<u>61,624</u>
Less ending inventory of finished fish products (Note 7)	(15,982)	(10,572)
	<u>54,224</u>	<u>51,052</u>
Gross profit on operations	<u>8,271</u>	<u>7,189</u>
Marketing and administrative expenses		
Salaries and benefits (Note 11)	2,689	2,103
Interest expense	758	1,147
Net foreign exchange (gain) loss (Note 6)	2,911	(849)
Commissions (Note 12)	1,138	1,145
Data processing, office and professional services	783	758
Advertising and promotion	283	215
Meeting fees and expenses	163	136
Amortization of administration assets	154	107
Other	113	94
	<u>8,992</u>	<u>4,856</u>
Income (loss) before provision for final payments to fishers	<u>(721)</u>	<u>2,333</u>
Provision for final payments to fishers	-	2,100
Net income (loss) and comprehensive income (loss) for the year (Note 13)	<u>(721)</u>	<u>233</u>
Retained earnings at beginning of the year		
As previously reported	3,555	3,322
Change in accounting policy (Note 3)	(74)	-
Restated	<u>3,481</u>	<u>3,322</u>
Net income (loss) and comprehensive income (loss) for the year	(721)	233
Retained earnings at end of the year	<u>\$ 2,760</u>	<u>\$ 3,555</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended April 30 (in thousands)

	2009	2008
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income (loss) and comprehensive income (loss) for the year	\$ (721)	\$ 233
Add (deduct) items not affecting cash:		
Amortization	1,949	1,715
(Gain) loss on disposal of property, plant and equipment	13	(59)
Net changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(357)	257
(Increase) decrease in inventory	(5,544)	1,579
Increase in prepaid expenses and other assets	(691)	(22)
Increase (decrease) in accounts payable and accrued liabilities	958	(185)
Increase (decrease) in provision for final payments to fishers	(2,100)	1,373
Cash provided by (used in) operating activities	(6,493)	4,891
Investing activities		
Additions to property, plant and equipment	(5,483)	(3,832)
Investment tax credits received for property, plant and equipment	216	
Proceeds on disposal of property, plant and equipment	15	136
Cash used for investing activities	(5,252)	(3,696)
Financing activities		
Increase (decrease) in loans payable	11,943	(1,911)
Cash provided by (used in) financing activities	11,943	(1,911)
Increase (decrease) in cash and cash equivalents during the year	198	(716)
Cash at beginning of year	49	765
Cash at end of year	\$ 247	\$ 49
Supplementary information:		
Interest paid	665	1,248

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament. An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to \$50 million. As at April 30, 2009, the total borrowings of the Corporation may not exceed \$39.5 million as authorized by the Minister of Finance.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the *Income Tax Act*.

2. BASIS OF PRESENTATION – GOING CONCERN

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles (GAAP). The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

In 2009, the Corporation has incurred an operating loss and negative operating cash flows, and had a working capital deficiency of \$11.1 million as at April 30, 2009. The Corporation's plan of operations may not result in cash flow sufficient to finance and expand its business on a self-sustaining basis. In addition, in successive years, the Corporation has sought and received approval to increase its borrowing limit. The annual authorization stood at \$39.5 million as at April 30, 2009 and is approaching the Corporation's legislative borrowing limit of \$50 million. During the year, the Corporation has increased significantly the use of its credit facilities. The balance of its loans payable rose from \$18.8 million at April 30, 2008 to \$30.8 million at April 30, 2009.

Under its enabling Act, the Corporation is authorized to borrow money from any bank on the credit of the Corporation and the repayment of those loans may be guaranteed by the Minister of Finance. In addition, as an agent Crown corporation, the Crown is ultimately responsible for the actions and debts of the Corporation. Nevertheless, the above factors raise doubt about the Corporation's ability to meet its requirements on an on-going basis to operate on a self-sustaining basis without appropriations from Parliament, as required by its enabling legislation.

The realization of assets is dependent upon the continued operations of the Corporation, which in turn is dependent upon management's plans to meet its financing requirements and the success of its future operations. The Corporation is actively pursuing various options, as set out in its 2009-2010 to 2013-2014 Corporate Plan, to enable it to achieve its business plans. The ability of the Corporation to operate on a self-sustaining basis is dependent on improving the Corporation's profitability and cash flow and securing additional financing, including for planned capital expenditures (see Note 10). The Corporation believes in the viability of its strategy to increase revenues and profitability and in its ability to raise additional funds, and believes that the actions presently being taken by the Corporation provide the opportunity for it to operate on a self-sustaining basis and as a going concern.

These financial statements do not include any adjustments to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that might be necessary if the Corporation was not successful in achieving the above.

3. NEW ACCOUNTING STANDARDS

On May 1, 2008, the Corporation adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections: 3031, *Inventories*; 3862, *Financial Instruments – Disclosures*; 3863, *Financial Instruments – Presentation*; and 1535, *Capital Disclosures*. The principal changes in the accounting as well as the disclosure and presentation resulting from the adoption of these new standards are described below.

Inventories

CICA Section 3031, *Inventories* superseded existing guidance on inventories in Section 3030, *Inventories*. This standard introduced guidance as to the measurement of inventories, and changes including establishing standards on the definition of "cost", the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and reversals of write-downs are required to be disclosed. The new disclosures are included in Notes 4 and 7.

The Corporation adopted Section 3031 effective May 1, 2008 and restated opening retained earnings at that date. As a result of this change, inventory was reduced by \$74 thousand and retained earnings were reduced by \$74 thousand. In accordance with the transition provisions of Section 3031, comparative year amounts have not been restated.

Financial instruments - Disclosures and Presentation

CICA Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, replaced Section 3861, *Financial Instruments – Disclosure and Presentation*. The presentation requirements prescribed by Section 3863 are consistent with those of Section 3861. The adoption of Section 3862 resulted in additional disclosures with respect to risk management policies as well as the nature and extent of risks arising from financial instruments. The new disclosures are included in Note 6.

Capital Disclosures

As a result of the adoption of CICA Section 1535, *Capital Disclosures*, the Corporation has increased disclosures regarding its objectives, policies and processes for the management of capital as well as disclosures of summary quantitative information about what is managed as capital. The new disclosures are included in Note 10.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash and term deposits, if any, maturing in less than three months from acquisition date.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to finished fish product inventory. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and net realizable value. Inventory write-downs and reversals of write-downs are included in cost of sales in the Statement of operations, comprehensive income and retained earnings.

Financial instruments

All financial instruments are classified into one of the following categories: financial assets as held-for-trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held-for-trading, or as other financial liabilities. Upon initial recognition, financial assets and financial liabilities are measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

The Corporation has designated its cash and cash equivalents (if any) as held-for-trading since they can be reliably measured at fair value due to their short-term to maturity. Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, the provision for final payments to fishers and loans payable are classified as other financial liabilities. Open dated foreign exchange forward contracts, foreign exchange call options and foreign exchange put barrier options must be classified as held-for-trading. The Corporation has no held-to-maturity or available-for-sale financial assets or held-for-trading financial liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For a financial asset or financial liability classified as held-for-trading, including derivative financial instruments, all transaction costs are recognized immediately in net income.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2.5%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	4.0-6.67%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from cost of sales. The final payments are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rates in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in net foreign exchange (gain) loss in the Statement of operations, comprehensive income and retained earnings.

Pension and other benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liabilities for workers' compensation benefits are recorded based on known awarded disability and survivor pensions in respect of accidents that have occurred.

Revenue recognition

Sales are recorded on an accrual basis and are recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses and other assets. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of net foreign exchange (gain) loss.

Investment tax credits

Investment tax credits relating to manufacturing property are recorded as a reduction of the applicable capital assets. Investment tax credits are recorded in the period that the credits are approved by Canada Revenue Agency provided there is reasonable assurance that the credits will be realized.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce slow moving or unsellable finished fish inventories to their estimated net realizable value, derivative financial instruments measured at fair value and the estimated useful lives of plant and equipment. Actual results may differ from those estimated. If actual results differ from these estimates, the impact would be recorded in future periods.

5. FUTURE ACCOUNTING CHANGES

Goodwill and Intangible Assets

In February 2008, the CICA issued new Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Canadian Accounting Standards Board (AcSB) also amended Section 1000, *Financial Statement Concepts*. The new and amended guidance clarifies that costs may only be deferred when they relate to an item that meets the definition of an asset. Section 3064 provides extensive guidance on when expenditures qualify for recognition as intangible assets. These recommendations, which will be adopted by the Corporation on May 1, 2009, are not expected to have a significant effect on the financial statements.

International Financial Reporting Standards (IFRS)

The AcSB has announced that all publicly-accountable Canadian reporting entities will adopt IFRS as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Corporation will adopt IFRS on May 1, 2011 and is currently evaluating the impact of the adoption of IFRS on its financial statements.

6. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments:

- i) credit risk
- ii) liquidity risk
- iii) market risk

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and procedures for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's accounts receivable and derivative financial instruments.

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and country in which customers operate.

The Corporation manages this risk by monitoring the creditworthiness of customers. The Corporation has established processes when dealing with foreign customers in order to manage the risk relating to foreign customers.

As at April 30, the maximum exposure to credit risk for accounts receivable by geographic region was as follows:

(in thousands)	2009		2008	
	Original Currency	\$CAD	Original Currency	\$CAD
Canada	\$ 1,398	\$ 1,398	\$ 1,575	\$ 1,575
United States	3,928	4,687	3,545	3,570
Europe	436	436	1,085	1,085
Other	55	66	-	-
		<u>\$ 6,587</u>		<u>\$ 6,230</u>

At April 30, 2009, three customers represented 41% of the total receivable balance. Customers primarily represent distributors.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated uncollectability of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, the current business and geopolitical climate, customer and industry concentrations and historical experience.

The aging of trade accounts receivable at April 30 was as follows:

(in thousands)	2009	2008
	Accounts receivable	Accounts receivable
Current 0-30 days	\$ 4,692	\$ 4,264
Past due 31-60 days	1,349	1,173
Past due over 61 days	148	81
Non-trade accounts receivable	471	769
Total	<u>6,660</u>	<u>6,287</u>
Less: allowance for doubtful accounts	(73)	(57)
Net	<u>\$ 6,587</u>	<u>\$ 6,230</u>

The change in the allowance for doubtful accounts during the year ended April 30, 2009 was an increase of \$16 thousand.

Derivative financial instruments

The Corporation manages its exposure to credit risk on its derivative financial instruments by contracting only with creditworthy counterparties, such as major Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by continuously monitoring actual and forecasted cash flows to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and

stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation has identified in Note 2 matters related to liquidity risk and going concern.

As at April 30, 2009, the contractual terms to maturity of the Corporation's financial liabilities was less than one year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Corporation is exposed to foreign exchange risk on a significant portion of its sales transactions which are denominated in U.S. dollars. The Corporation hedges a minimum of 67 percent of all trade receivables denominated in U.S. dollars and a portion of its forecasted sales, based on its hedging policy. In addition, a portion of loans payable are U.S. dollar denominated (Note 9). The Corporation manages its exposure to exchange rate fluctuations between U.S. dollars and the Canadian dollar by entering into the following types of instruments, most with a maturity of less than one year from the reporting date and only within limits approved by the Board of Directors:

Foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery during a specified period in the future at a fixed rate.

Foreign exchange call options - right to purchase currencies at a specified price within a specific time period.

Foreign exchange put barrier options - options that automatically convert into foreign exchange call options upon reaching a specified barrier level during a specified time period.

The Corporation also uses such contracts in the process of managing its overall cash requirements. Included in prepaid expenses and other assets is an amount of \$1,062 thousand (2008 - \$377 thousand) and included in accounts payable and accrued liabilities is an amount of \$1,188 thousand (2008 - \$163 thousand) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)	2009	2008
Foreign exchange forward contracts	\$ -	\$ (77)
Foreign exchange call options	1,062	291
Foreign exchange put barrier options	(1,188)	-
	<u>\$ (126)</u>	<u>\$ 214</u>

Notional principal amounts outstanding as at April 30 are listed below for the open dated foreign exchange contracts, foreign exchange call options and foreign exchange put barrier options entered into by the Corporation.

(in U.S. \$ thousands)	2009	2008
Foreign exchange forward contracts	\$ -	\$ 21,730
Foreign exchange call options	25,900	21,100
Foreign exchange put barrier options	25,900	-

Net foreign exchange loss of \$2,911 thousand (2008 – gain of \$849 thousand) includes a loss of \$340 thousand representing the change in fair value of derivative financial instruments classified as held-for-trading (2008 – loss of \$119 thousand).

Based on the net exposure as at April 30, 2009, and assuming that all other variables remain constant, a 10 percent appreciation in the Canadian dollar against the U.S. dollar would result in a decrease in net loss and comprehensive loss of \$2,746 thousand. A 10 percent weakening in the Canadian dollar against the U.S. dollar would result in an increase in net loss and comprehensive loss of \$3,533 thousand.

Interest rate risk

At the reporting date, the Corporation's loans payable of \$30,772 thousand (2008 - \$18,829 thousand) are variable rate instruments.

An increase of 100 basis points in interest rates at the reporting date would have increased net loss and comprehensive loss by \$276 thousand, assuming that all other variables, in particular foreign currency rates, remain constant.

Other price risk

The Corporation believes it is not exposed to any other price risk in relation to its financial instruments.

Fair value

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable approximate their respective amortized cost due to the relatively short period to maturity of the financial instruments. Derivative related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the open dated foreign exchange forward contracts is calculated using the current market spot and forward exchange rates at the reporting date, taking into consideration the closing date of the open dated foreign exchange forward contracts. The estimate of the fair value of the foreign exchange call options and foreign exchange put barrier options is calculated using a valuation technique commonly used for these instruments.

7. INVENTORIES

As at April 30, inventory included:

(in thousands)	2009	2008
Raw materials and supplies	\$ 828	\$ 768
Finished goods	16,716	11,015
Provision for finished goods	(734)	(443)
	<u>\$ 16,810</u>	<u>\$ 11,340</u>

The amount of write-downs of inventories recognized as expense in 2009 is \$734 thousand (2008 – \$386 thousand). There were no reversals of previously recorded write-downs in fiscal 2009.

8. PROPERTY, PLANT AND EQUIPMENT

(in thousands)

		2009		2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	12,106	7,448	4,658	3,060
Equipment	18,908	14,974	3,934	3,124
Fresh fish delivery tubs/totes	1,392	707	685	841
Vessels	2,697	409	2,288	2,409
Construction in progress	2,001	-	2,001	842
	<u>\$ 37,440</u>	<u>\$ 23,538</u>	<u>\$ 13,902</u>	<u>\$ 10,612</u>

Amortization expense is recorded on the Statement of operations, comprehensive income and retained earnings in cost of sales (2009 - \$1,795 thousand; 2008 - \$1,608 thousand) and in marketing and administrative expenses (2009 - \$154 thousand; 2008 - \$107 thousand).

9. LOANS PAYABLE

(in thousands)

	2009	2008
Promissory note	\$ 4,772	\$ 4,029
Bankers' acceptances	26,000	14,800
	<u>\$ 30,772</u>	<u>\$ 18,829</u>

During the year, the Corporation renewed its revolving demand credit facility providing access to funds up to the amount of \$39.5 million Canadian or its U.S. dollar equivalent. The funds are advanced through loans, overdrafts, promissory notes and bankers' acceptances.

The bankers' acceptances bear interest at 0.45% (2008 - 3.20%) and mature on May 7, 2009. The weighted average interest rate during the year was 2.13% (2008 - 4.29%). Subsequent to May 7, 2009 new bankers' acceptances were entered into at a rate of 0.40%.

The \$4,000 thousand U.S. dollar denominated promissory note (\$4,772 thousand Canadian dollars) is repayable in U.S. dollars, bears interest at 1.35% (2008 - 5.05%) and matures on May 20, 2009. The weighted average interest rate during the year was 2.96% (2008 - 5.47%). Subsequent to May 20, 2009, the U.S. dollar denominated promissory note was renewed at a rate of 1.22%.

The bankers' acceptances and promissory note are secured by the authorization of the Minister of Finance of the Corporation's bank borrowing limit (Note 1).

10. CAPITAL MANAGEMENT

The Corporation is subject to the *Freshwater Fish Marketing Act* and the *Financial Administration Act* (the Acts) and any directives issued pursuant to the Acts. These Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis while generating a return to the government of Canada and to fishers.

The Corporation defines and computes its capital as follows:

(in thousands)	2009	2008
Retained earnings	\$ 2,760	\$ 3,555
Loans payable	30,772	18,829
	<u>\$ 33,532</u>	<u>\$ 22,384</u>

The Corporation's objectives in managing capital are to:

- Provide sufficient liquidity to support its financial obligations and its operating and strategic plans;
- Generate increasing returns to the fishers; and
- Maintain financial capacity and access to credit facilities to support future development of the business, including for capital expenditures.

In 2009, the Corporation relied primarily on cash flow provided by operating activities supplemented with financing activities to support its financial obligations and to fund its capital and strategic requirements. In 2008, the Corporation primarily relied on cash flow provided by operating activities to support its objectives.

The Corporation's ability to obtain additional capital is subject to market conditions and pursuant to the provisions of the Acts. The limitations on the borrowings of the Corporation and its access to credit facilities are outlined in Note 1. Pursuant to Part X of the *Financial Administration Act*, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable (Note 2).

These objectives and strategies are reviewed in the annual Corporate Plan submission, approved by the Board of Directors.

The Corporation is not subject to any externally imposed capital requirements.

11. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. Pension benefits accrue on pensionable service at a rate of 2 per cent per year up to a maximum period of 35 years, times the average of the best five consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2009	2008
Corporation's contributions	\$ 969	\$ 799
Employees' contributions	\$ 480	\$ 378

12. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,138 thousand (2008 - \$1,145 thousand) to sales agents, all of which was paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the Statement of operations, comprehensive income and retained earnings.

13. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2008 - nil). At April 30, 2009 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to \$3,008 thousand (2008 actual - \$2,932 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is not considered more likely than not that any future income tax benefits will be realized.

14. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a going forward basis and retroactively to April 1, 1973. Subsequent to April 30, 2009, the Corporation agreed to terms with the Public Service Pension Centre (PSPC) that establish the manner in which the Corporation will document cases for employees who should become members under the Public Service Superannuation Act (PSSA) and how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. PSPC will establish the employee's eligibility to contribute, the periods of service countable for pension purposes and the periods of service that an employee can buy back. As employee contributions are made to the pension plan, the Corporation will be required to fund the employer's portion of these contributions, including amounts owing for past service.

It is not possible at this time for the Corporation to make an estimate of the amount, if any, of contributions that may result from this agreement. The Corporation's liability with respect to any contributions that may result from this agreement will be recorded when the amounts can be reasonably estimated.

CORPORATE GOVERNANCE

Freshwater Fish Marketing Corporation is governed by a Board of 11 Directors, including the President and Chief Executive Officer. All Board positions are federal Order-in-Council appointments, with five appointed on the recommendation of the participating provincial governments. Two Directors retired this past fiscal year and two new ones were appointed to replace them. During the 2008/09 fiscal year, seven of those Directors were fishers and seven were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its stakeholders. The Board believes strongly that a majority of its members should always be active fishers representative of the various regions.

Board members acted in their role as liaisons with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the Freshwater Fish region.

Freshwater Fish Board members met six times in Winnipeg during the fiscal year. Each quarter, the Board conducted a comprehensive review of financial results and operational issues. At the July 2008 meeting, the Board received the

annual audit report from the Office of the Auditor General and approved the 2007/08 Annual Report. In early April 2009, the Board met to approve its five-year Corporate Plan and operating budget for submission to Treasury Board.

The Board considered four applications under the Export Dealers Licence policy and approved four. There was also one renewal for 2008/09.

Major conferences or annual meetings attended included a Crown Corporation Governance conference (Ottawa), Fisheries Council of Canada AGM, National Seafood Sector Council Board, Seafood Value Round Table, Brussels Seafood Show, Boston Seafood Show, Manitoba Food Processors Association, Manitoba Commercial Inland Fisheries Federation conference, Manitoba Water Stewardship, Saskatchewan Cooperative Fisheries Ltd., the Manitoba Métis Federation, and seven other fisher association meetings.

The Board took part in a two-day Strategic Review workshop in January 2009. In addition, President and Chief Executive Officer John Wood and various Board members traveled to meetings with Ministers (Environment and Northern Affairs, Sustainable Resource Development) in three regions (Saskatchewan, Alberta and Northwest Territories) to present the new Strategic Plan and discuss relevant fishery issues.

BOARD OF DIRECTORS



Jim Bear

Chairperson of the Board
Scanterbury, Manitoba

Occupation: Political Advisor,
Southeast Tribal Council

Served on Board: 8 years



John Wood

President and Chief Executive Officer
Winnipeg, Manitoba

Served on Board: 2.5 years



Ron Ballantyne

Grand Rapids, Manitoba

Occupation: Fisher

Served on Board: 5.5 years



Peter A. Beatty

Deschambault Lake, Saskatchewan

Occupation: Vice-Chief,

Peter Ballentyne First Nation

Served on Board: 2.5 years



Bert Buckley

Hay River, Northwest Territories

Occupation: Fisher

Served on Board: 10 years



Ken Campbell (new appointment)

Gimli, Manitoba

Occupation: Fisher

Served on Board: 2 months



Irvin Constant

The Pas, Manitoba

Occupation: Fisher

Served on Board: 13 years



James R. Favel (retired Dec. 2008)

Île-à-la-Crosse, Saskatchewan

Occupation: Fisher

Served on Board: 10.5 years



Angus Gardiner (new appointment)

Île-à-la-Crosse, Saskatchewan

Occupation: Fisher

Served on Board: 8 months



Ed Isfeld (retired Apr. 2009)

Winnipeg Beach, Manitoba

Occupation: Fisher

Served on Board: 19 years



Gordon McDougall

Ashern, Manitoba

Occupation: Fisher

Served on Board: 13 years



Bob Paterson

Sioux Lookout, Ontario

Occupation: Area Supervisor,

Ontario Ministry of Natural Resources

Served on Board: 5 years



Gail Wood

Edmonton, Alberta

Occupation: Owner,

Wayne Wood Fresh Fish Ltd.

Served on Board: 2 years

CORPORATE OFFICERS

John Wood
President and Chief Executive Officer
Email: john.wood@freshwaterfish.com

Stan Lazar
Chief Financial Officer
Email: stan.lazar@freshwaterfish.com

Paul Cater
Vice-President, Sales and Marketing
Email: paul.cater@freshwaterfish.com

Stephen Kendall
Vice-President, Operations

Gerry Malone
Vice-President, Special Projects

EMPLOYEE RECOGNITION

Freshwater Fish Marketing Corporation extends its thanks to the following employees who have dedicated their careers to ensuring a dependable supply of high-quality freshwater fish products, excellent customer value and increasing returns to fishers.

30 Years of Service

Larry Calder
Patricia Calder
Margaret Camire
Ray Freeman
Danny Haywood
Melvin Paul
Vincent Sveinson

35 Years of Service

Gary Kostiuk
Marsha McCumber
Betty Ploschak
Charles Taylor



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From Lake to Plate

